UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF NEW YORK

BRUCE S. SHERMAN, Plaintiff, v. BEAR STEARNS COMPANIES INC., JAMES CAYNE, WARREN SPECTOR and DELOITTE & TOUCHE LLP Defendants.	Index No.: 09 Civ. 8161 (RWS)

DECLARATION OF JOHN D. FINNERTY, Ph.D.

IN SUPPORT OF OPPOSITION TO DEFENDANTS' MOTION TO EXCLUDE

DR. FINNERTY'S REPORT AND TESTIMONY

HIGHLY CONFIDENTIAL

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I, John D. Finnerty, declare pursuant to 28 U.S.C. § 1746, as follows:

I. Qualifications and Assignment

1. I previously submitted an expert report in connection with this matter on March 2, 2015 (the "Finnerty Report"). I continue to use the same terms that were defined in the Finnerty Report in this declaration without defining these terms again. The scope of my assignment, my qualifications, and other details related to my work in this matter are set forth in the Finnerty Report. Attached as Appendix A is an updated copy of my current resume, which lists all publications I have written or co-authored and includes a brief description of my trial and deposition testimony within at least the past four years. AlixPartners continues to be compensated at a rate of $930 per hour for my work on this matter. My compensation is not contingent on my findings or on the outcome of this matter. I have been assisted in the preparation of this declaration by AlixPartners's staff working under my direction and supervision.

2. A list of the materials I have considered in this matter not previously not listed in Appendix B of the Finnerty Report is provided in Appendix B to this declaration.

II. Assignment

3. Boies, Schiller & Flexner LLP and Korein Tillery LLC, as counsel for Bruce S. Sherman ("Sherman" or the "Plaintiff") and as liaison counsel in the consolidated and coordinated opt-out actions in this matter, have asked me to respond to Defendants' Memorandum of Law in Support of Their Motion to Exclude the Report and Testimony of John D. Finnerty, dated August 17, 2015, and specifically to : (1) document the acceptance of the leakage theory by the scientific community and summarize the application of the leakage methodology in the academic literature; (2) respond to the

Defendants' criticism that I should not have included the period between March 10, 2008 and March13, 2008 in the Leakage Period because the statistically significant abnormal return on Bear Stearns's stock during the Leakage Period is due to my including this four-day period within the Leakage Period; (3) quantify the impact on the calculated damages of certain alternative classifications of Bear Stearns-specific fraud-related news and non-fraud-related news during the Leakage Period and perform alternative damages calculations for the Leakage Period based on these alternative scenarios; and (4) explain the appropriateness of the "constant dollar" damages calculation methodology as commonly applied in 10b-5 securities fraud class action matters to calculate class-wide damages.

III. Summary of Opinions

4. Based on my education, knowledge, and training in economics; my experience in performing loss causation and damages analyses in connection with securities matters; and my review of the academic literature concerning leakage studies, I have reached the following opinions to a reasonable degree of certainty in the financial economics profession, after conducting appropriate studies, the results of which are described in this declaration:

    a. leakage analysis is widely recognized and regularly utilized in the scientific community in performing event studies in the fields of financial economics and management, and this general acceptance is reflected in published academic papers that utilize very long event windows in performing event studies to recognize explicitly the possibility that information leakage might

have occurred prior to critical announcement dates;[1]

b. my identification of the Leakage Period is reasonable; there is no rationale for excluding the four days – March 10, 2008 through March 13, 2008 – from the Leakage Period, especially since rumors concerning Bear Stearns's liquidity problems continued to leak out to the marketplace during these four days, which is the very reason that they must be included in the Leakage Period; and Defendants' argument completely ignores the fact that Bear Stearns's stock price increased approximately 20% between January 22, 2008 and January 25, 2008, while the custom industry index increased approximately 5%, which is the main reason the aggregate abnormal return on Bear Stearns's stock for the Leakage Period excluding March 10 through 13, 2008 is statistically insignificant;

c. my classification of fraud-related news and non-fraud-related news during the Leakage Period presented in the Finnerty Report was appropriate, and even if the classification of fraud-related news and non-related news dates were altered in precisely the manner Defendants suggest, the inflation-per-share amount would be reduced by no more than 5.46%; and

d. the "constant dollar" damages calculation methodology is an appropriate and widely used damages methodology in 10b-5 securities fraud matters.

[1] The event window in an event study is the period of time during which the event in question, such as a corrective fraud disclosure, affects the market price of the stock.

IV. Leakage Theory

A. General Background

5. I understand that the *Supreme Court* has generally recognized the possibility that the truth regarding a fraud can leak out over time prior to any formal corrective disclosure. *See Dura*, 544 U.S. at 342, 125 S.Ct. 1627 ("But if, say, the purchaser sells the shares quickly before the relevant truth begins to leak out, the misrepresentation will not have led to any loss.").[2] This so-called leakage theory posits that the corrective information comes into the stock market more or less continuously over a specified time period (the "leakage period"), rather than through a series of discrete corrective statements or revelations of the truth, such as a corporate news announcement admitting to the fraud, the initiation of an SEC or DOJ enforcement action, a bankruptcy filing, or the release of restated financial statements. There is a gradual exposure of the fraud, rather than a complete immediate disclosure of it.[3]

6. I also understand that information leakage also plays prominently in the Supreme Court's decision in *Basic, Inc. v. Levinson*.[4] Information leakage arose in connection with the *Basic* dispute when Basic, Inc., a New York Stock Exchange-listed engineering firm, which had been involved in merger negotiations with Combustion Engineering as early as September 1976, became the subject of takeover rumors after information about the possible merger leaked into the market for Basic's common stock.[5] Basic's management publicly denied the rumors three times in 1977 and 1978.[6] On December 20, 1978, Basic's board of directors publicly announced its approval of Combustion

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[2] Cited in *Glickenhaus & Co. v. Household Intern., Inc.*, 787 F.3d 408 (7th Cir. 2015) at HN13.
[3] *See In re Williams Sec. Litig.-WCG Subclass*, 558 F.3d 1130, 1137-38 (10th Cir. 2009).
[4] 485 U.S. 224 (1988).
[5] *Id.* at 1066.
[6] *Id.*

Engineering's tender offer for 100% of Basic's outstanding common stock.[7] Basic shareholders who had sold shares between the date of the first public denial and the date of the tender offer sued Basic and certain of its officers and directors alleging the defendants had violated Rule 10b-5.[8] Plaintiffs asserted that they had been harmed because they had sold their shares at prices that were artificially depressed due to Basic's false and misleading statements denying the merger negotiations with Combustion Engineering.[9]

B. Leakage Analysis Is Widely Recognized in the Academic Literature

7. Leakage involves information being revealed to the market before the news is publicly announced. Leakage presents a challenge when applying the event study methodology because information leaked to the market ahead of an announcement makes it difficult to identify the date on which traders first became aware of the new information conveyed by the announcement and thus were able to react to it.[10] Applying the traditional event study methodology is problematic because at the time of the announcement, the event date, the assumption that the announcement was completely unanticipated is no longer valid. The market reaction to the announcement on the event date will be muted and possibly even statistically insignificant even though the information was material to investors.

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[7] *Id*.
[8] *Id*.
[9] *Id*. The Court permitted the *Basic* plaintiffs to rely on the fraud-on-the-market theory to satisfy the reliance requirement.
[10] *See* McWilliams, Abagail and Donald Siegel, "Event Studies in Management Research: Theoretical and Empirical Issues," *Academy of Management Journal* 40, June 1997, pp. 626-657, and McWilliams, Abagail, Donald Siegel, and Siew Hong Teoh, "Issues in the Use of the Event Study Methodology: A Critical Analysis of Corporate Social Responsibility Studies," *Organizational Research Methods* 2, October 1999, pp. 340-365.

8. There is an extensive financial economics and management literature on the leakage of financial information into the equity market preceding critical corporate announcements. One of the earliest studies of information leakage is Keown and Pinkerton (1981), which found that leakage of inside information regarding pending merger transactions was a pervasive problem that affected the prospective target firm's stock price to a significant degree up to 12 trading days prior to the initial public announcement of the proposed transaction.[11] Pound and Zeckhauser (1990) find a significant run-up in the price of the target firm's stock averaging approximately 7% over the 20 trading days before the publication of any takeover rumors in the financial press.[12]

9. Agapova and Madura (2011) find that information leakage still occurs before firm management issues earnings guidance even though Regulation Fair Disclosure (FD) should prevent such leakage and that leakage is more likely in situations where there is a greater asymmetry between the firm's private information and the information already in the public market.[13] Brigida and Madura (2012) find strong evidence that information

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[11] *See* Keown, Arthur J. and John M. Pinkerton, "Merger Announcements and Insider Trading Activity: An Empirical Investigation," *Journal of Finance* 36, September 1981, pp. 855-869.

[12] *See* Pound, John and Richard Zeckhauser, "Clearly Heard on the Street: The Effect of Takeover Rumors on Stock Prices," *Journal of Business* 63, July 1990, pp. 291-308. They also find that unusual price movements and trading volume in the stock of the rumored target, which can suggest to market participants that someone appears to be accumulating the stock, often precedes the publication of a takeover rumor. This finding implies that close observation of the market by shark watchers, arbitrageurs, and other astute traders who look for signals in unusual trading activity in firms' stocks as evidence of impending takeover activity is one mechanism through which information leakage about a possible takeover attempt can occur.

[13] Before Regulation FD, information leakage could occur when a firm provided earnings guidance privately to favored securities analysts, institutional investors, or others. Such information leakage should no longer occur post-Regulation FD because furnishing private earnings guidance is prohibited. The evidence that such information leakage still occurs might be attributed to inadvertent private guidance, for example, as a result of a firm's actions or communications indirectly signaling information shortly before the public release of earnings guidance. *See* Agapova, Anna and Jeff Madura, "Information Leakage Prior to Company Issued Guidance," *Financial Management* 40, Fall 2011, pp. 623-646. They find that information leakage is more pronounced for smaller firms, when the firm's share trading volume is greater, when the information content of the earnings guidance is more significant, when more time has elapsed since the previous quarter-end, and when the valuations of firms within the same industry are more widely dispersed. *See* Brunnermeier, Markus K., "Information Leakage and Market Efficiency," *Review of Financial Studies* 18, Summer 2005, pp. 417-457. Brunnermeier argues that to the extent Regulation FD prevents information leakage, it improves long-run

contained in Schedule 13D filings leaks into the equity market at least six days before the filing is made public.[14]

C. Application of Leakage Analysis to Bear Stearns in This Matter

10. As I explained in Section VII.A of the Finnerty Report, the damages per share on the disclosure dates are calculated based on a company's stock price reaction attributable to the disclosure of the alleged fraud. Typically, the corrective disclosures of misrepresentations or omissions occur in a series of discrete, public corrective statements or revelations of the truth, rather than in one distinct statement or revelation. In addition, information regarding the alleged fraud can leak into the market over time before the final, public corrective disclosures are announced.[15] When there is information leakage into the market in connection with the alleged fraud, the damages amount calculated based on the event study for public corrective disclosure dates alone will understate the impact of the disclosures on the company's stock price. The amount of damages is understated because, by the time the corrective disclosures are publicly announced, a portion of the impact of the alleged fraud contained in the announcement would already be reflected in the current stock price due to leakage.

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informational efficiency, but that it will be counter-productive if it precludes or delays the public release of significant news announcements.

[14] *See* Brigida, Matthew and Jeff Madura, "Information Leakages Prior to 13D Filings," *Journal of Financial and Economic Practice* 12, Spring 2012, pp. 23-38. A shareholder who acquires beneficial ownership of 5% or greater of the outstanding common stock of a U.S. firm must file a Schedule 13D with the SEC within 10 days. A Schedule 13D filing thus signals an increased likelihood that the firm could be targeted for a takeover. Brigida and Madura find that most of the informed trading that takes place prior to the 13D filing occurs between ten and six days prior to the filing. *See* Mikkelson, Wayne H. and Ruback, Richard S., "An Empirical Analysis of the Interim Equity Investment Process," *Journal of Financial Economics* 14, December 1985, pp. 523-553, and Brav, A., W. Jiang, F. Partnoy, and R. Thomas, "Hedge Fund Activism, Corporate Governance, and Firm Performance," *Journal of Finance* 63, August 2008, pp. 1729-1775. Mikkelson and Ruback (1985) and Brav, Jiang, Partnoy, and Thomas (2008) have documented a statistically significant positive abnormal return in response to Schedule 13D filings.

[15] *See* Cornell, Bradford and R. Gregory Morgan, "Using Finance Theory to Measure Damages in Fraud on the Market Cases," *UCLA Law Review* 37, June 1990, pp. 883-924, and Ferrell, Allen and Atanu Saha, "The Loss Causation Requirement for Rule 10b-5 Causes-of-Action: The Implication of Dura Pharmaceuticals v. Broudo," *Harvard Law and Economics Discussion Paper* 596, August 2007, pp. 1-26.

11. If it were possible to determine the number of days prior to the public event announcement that leakage occurred, it might be possible simply to lengthen the event window in order to capture the abnormal returns associated with the leakage, as some of the academic event studies discussed previously have done. [16] However, this approach will solve the problem only if the entire leakage period can be identified and included within the event window. It will not work when discrete leakage dates cannot be determined. For example, when leakage occurs more or less continuously over an extended period, a more robust event study methodology is required, like the leakage methodology described by Cornell and Morgan (1990).

12. Bradford Cornell and R. Gregory Morgan address the issue concerning information leakage in their 1990 research article in the *UCLA Law Review*.[17] Cornell and Morgan (1990) states that "[t]his prior information leak means that the difference between the predicted return and the actual return, commonly called the residual return, does not properly measure the economic impact of the disclosure."[18] The article provides an example to illustrate how the leakage of information into the market can take place,

[16] *See* McWilliams, Abagail and Donald Siegel, "Event Studies in Management Research: Theoretical and Empirical Issues," *Academy of Management Journal* 40, June 1997, pp. 626-657, especially Table 1 and at 636, and McWilliams, Abagail, Donald Siegel, and Siew Hong Teoh, "Issues in the Use of the Event Study Methodology: A Critical Analysis of Corporate Social Responsibility Studies," *Organizational Research Methods* 2, October 1999, pp. 340-365. McWilliams and Siegel (1997) find that event windows as long as 181 days (meaning 181 trading days, or approximately nine months) are not uncommon. *See also* Seth, Anju, "Value Creation in Acquisitions: A Reexamination of Performance Issues," *Strategic Management Journal* 11, February 1990, pp. 99-115, and Turk, Thomas A., "Takeover Resistance, Information Leakage, and Target Firm Value," *Journal of Management* 18, 1992, pp. 503-522, for examples of papers that have employed a longer event window and justified the length of the event window based on information leakage considerations. Turk (1992) starts the event period 50 days before the date of the acquirer's tender offer announcement based on prior research indicating that information regarding an impending acquisition tends to leak into the market several weeks prior to the actual acquisition announcement.

[17] *See* Cornell, Bradford and R. Gregory Morgan, "Using Finance Theory to Measure Damages in Fraud on the Market Cases," *UCLA Law Review* 37, June 1990, pp. 883-924.

[18] *Id.*, p. 905.

noting that in their example "a slow flow of increasingly negative news fueled a rising tide of doubts and rumors."[19]

13. Cornell and Morgan (1990) suggest that, instead of using the predicted return on the public disclosure dates alone, one could substitute the predicted returns for the actual returns on the stock during a suitably chosen observation window. In order to capture the entire abnormal return due to leakage, they suggest, this window "begins far enough in advance of the disclosure for the analyst to be reasonably confident that no significant information leakage has occurred" prior to the starting date for the observation period and "ends at a date when the analyst feels confident that most of the information is publically available."[20]

14. As specified in the Finnerty Report, I performed loss causation analysis during the information leakage period based on the "backwardation" method, which adjusts for market-wide and industry-wide effects, and company-specific information that is not related to the alleged fraud from the damage calculation. I have extended the comparable index approach described by Cornell and Morgan (1990) by incorporating into the analysis the stock market impact of firm-specific disclosures that are not related to the alleged fraud when I calculated the position of the "but-for line" each day. This adjustment properly excludes company-specific information unrelated to the alleged fraud from the damages calculation.[21]

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[19] *Id.*, pp. 905-906.
[20] *Id.*, p. 906.
[21] The comparable index approach described in Cornell and Morgan does not adjust for company-specific announcements that are unrelated to the alleged fraud, which may cause that approach to overstate the amount of inflation due to the fraud. *See* Cornell, Bradford and R. Gregory Morgan, "Using Finance Theory to Measure Damages in Fraud on the Market Cases," *UCLA Law Review*, 37, 1990, pp. 897-898. By adjusting as I have for the stock market impact of announcements that are unrelated to the alleged fraud, I have eliminated this source of potential bias in the share price inflation calculation. *Id.*, p. 903. *See also* Finnerty, John D. and

V. Damages Calculation During the Leakage Period

A. Classification of Non-Fraud-Related News during the Leakage Period and the Disclosure Dates

15. Defendants criticized my damages calculation methodology during the Leakage Period, arguing that I attributed abnormal returns on Bear Stearns's stock to fraud-related news even (1) on days with a mix of Bear Stearns-specific fraud-related news and non-fraud-related news and (2) on days with only Bear Stearns-specific non-fraud-related news and with Bear Stearns's stock price movement that was not statistically significant.[22] These two criticisms are baseless and unfounded. In order to respond to Defendants' criticisms, I reviewed all the public news items included in Attachment 30 to the Finnerty Report and identified (1) days with a mix of some fraud-related news and some non-fraud-related news as well as (2) days with only non-fraud-related news and with abnormal returns that were not statistically significant at the 10% level.[23]

16. Taking Defendants' second criticism first, for the days with only Bear Stearns-specific non-fraud-related news and with the statistically insignificant abnormal returns on Bear Stearns's stock, the abnormal returns cannot be distinguished from mere "noise." Given that the daily "noise" is just as likely to be either positive or negative, classifying these days either as fraud-related new days or as non-fraud-related news days does not make a significant difference in the damages amount during the Leakage Period. Moreover, because it is likely that the information concerning Bear Stearns's liquidity problems continued to leak into the market on those days and the non-fraud-related news on those

George M. Pushner, "An Improved Two-Trader Model for Measuring Damages in Securities Fraud Class Actions," *Stanford Journal of Law, Business & Finance,* Spring 2003, pp. 213-263.

[22] Defendants' Memorandum of Law in Support of Their Motion to Exclude the Report and Testimony of John D. Finnerty, Dated August 17, 2015, p.12.

[23] In this declaration, I will use the term "statistically significant" when the abnormal return on Bear Stearns's stock was statistically significant at the 10% level.

days had no significant effect on Bear Stearns's stock price, classifying those days as fraud-related news day is proper.

17. In reviewing the days where the public news was a mix of Bear Stearns-specific fraud-related news and non-fraud-related news, I considered only those days with statistically significant abnormal returns at the 10% level for the reasons explained above. Among the days listed in Attachment 30 to the Finnerty Report, 25 days had abnormal returns that were statistically significant at the 10% level. Of the 25 days, there were ten days with a mix of Bear Stearns-specific fraud-related news items and non-fraud-related news items. (*See* Attachment A.)

18. On six days out of these ten, the non-fraud-related news items were not economically significant, because these news items contained either economically insignificant[24] information or previously released information. Investors would not expect such economically insignificant Bear Stearns-specific news items to affect Bear Stearns's stock price in a statistically significant manner on those days.

19. For example, on January 30, 2008, there was a Bear Stearns-specific non-fraud-related news item reporting that Zacks rated Bear Stearns among the "strong sell" stocks.[25] However, the information regarding Zacks's rating on Bear Stearns had already been released to the market,[26] and thus investors would recognize that the news on January 30, 2008 did not provide new information to the market on that day. As a second

[24] Determining whether a news item contains economically significant information or not is based on my expert judgment as informed by the huge body of academic literature that investigates the types of information that investors consider economically significant (i.e., material). *See, e.g.*, Neuhierl, Andreas, Anna Scherbina, and Bernd Schlusche, "Market Reaction to Corporate Press Releases," *Journal of Financial and Quantitative Analysis* 48, August 2013, pp. 1207-1240, and references contained therein.
[25] Bloomberg, "Zacks Sell List Highlights: Merrill Lynch & Co., Bear Stearns," January 30, 2008.
[26] Bloomberg, "Zacks Industry Rank Analysis Highlights: Bear Stearns, Goldman Sachs, Lehman Brothers, Morgan Stanley and Western Digital," Dec 13, 2007. The article states that "Bear Stearns (NYSE: BSC) – Fiscal 2008 per share profit forecasts have fallen 73 cents over the last 30 days to $11.61 per share. BSC is a Zacks #5 Rank ('strong sell') stock."

example, on March 5, 2008, there was a Bear Stearns-specific non-fraud-related news item reporting that Bear Stearns had joined the German Energy Exchange to trade electricity derivatives.[27] Investors would not consider such a routine business announcement as economically significant news, so it would not be expected to affect Bear Stearns's stock price on that day.

20. Therefore, these six days can be categorized as fraud-related news days, and I correctly coded them as such, as indicated in Attachment B to this declaration (which provides the same information as Attachment 31 to the Finnerty Report but updated to reflect a handful of corrections made during the Finnerty Deposition to the categorization of fraud-related and non-fraud-related days).

21. Of the remaining four days on which there was some economically significant Bear Stearns-specific non-fraud-related news, two days – January 9, 2008 and February 15, 2008 – exhibited positive abnormal returns.[28] On January 9, 2008, the abnormal return on Bear Stearns's stock was potentially affected by both fraud-related news and non-fraud-related news. On February 15, 2008, the non-fraud-related news concerning takeover speculation might have been a bigger driver of the abnormal return on Bear Stearns's stock than the fraud-related news. Regardless, I classified those two days as fraud-related news days and, by doing so, I was being conservative in favor of the Defendants, given that treating days with positive abnormal returns as fraud-related news days reduces the damages amount.

22. Finally, there are two remaining mixed-news days – December 21, 2007 and March 14,

[27] Bloomberg, "Bear Stearns Joins German Energy Exchange to Trade Electricity," March 5, 2008.

[28] January 9, 2008 was initially classified as a non-fraud-related news day but it was corrected to a fraud-related news day during my deposition in this matter. Three other dates – January 8, 2008, January 15, 2008, and January 30, 2008 – were also corrected to fraud-related news days from non-fraud-related news days during the deposition.

2008 – which exhibited statistically significant negative abnormal returns. Since on both days, the negative abnormal returns on Bear Stearns's stock were driven by the fraud-related news, I classified both days as fraud-related news days. I stand by that classification for both days.

23. On December 21, 2007, there were two pieces of apparently economically significant news that I classified as non-fraud-related on Attachment 30 to the Finnerty Report and on Attachment A to this declaration: (a) Bernstein's cutting its price forecast for Bear Stearns's stock by 11% to $125 and (b) a news announcement regarding Moody's downgrade of Bear Stearns's long-term ratings. (*See* Attachment A.)

24. Early on the morning of December 21, 2007, Bernstein cut its stock price forecast for Bear Stearns by 11% to $125 per share.[29] The reduction in target price is potentially economically significant news, however I do not expect that it was economically significant on December 21, 2007. Bernstein's announcement was an expected reaction to the large quarterly loss Bear Stearns had just reported the previous day (December 20, 2007). Other securities analysts cut their price targets for Bear Stearns the prior day, and Bernstein's 11% target price reduction was in line with other analysts' reports. I therefore do not expect any additional Bear Stearns's stock price reaction on December 21, 2007 due to the Bernstein report.

25. On December 21, 2007, the news announcement regarding Moody's downgrade of Bear Stearns's long-term ratings was economically significant news on that day. (*See* Attachment A.) The news contains elements of both fraud-related and non-fraud-related information about Bear Stearns because the downgrade announcement cites to the problems in Bear Stearns's mortgage business, and in particular, the write-downs on its

[29] Bloomberg, "Bear Stearns Share-Price Forecast Cut 11% to $125 at Bernstein," December 21, 2007.

mortgage and CDO portfolios.[30] Bear Stearns's alleged overvaluation of its mortgage assets and alleged deficiencies in Bear Stearns's risk management practices and procedures would have contributed to those problems and hence the downgrades.[31] However, it is not possible separately to measure the contribution to the abnormal returns on December 21, 2007 of the various components of this news announcement. Nevertheless, it is clear that the negative return on Bear Stearns's stock on December 21, 2007 was driven by the fraud-related news, thus it was proper for me to attribute the abnormal return on Bear Stearns's stock on that date to the fraud.

26. On March 14, 2008, I classified several Bear Stearns-specific news items that would have affected Bear Stearns's stock price as non-fraud-related: (a) JP Morgan agreeing to furnish secured funding to Bear Stearns for 28 days,[32] (b) Jamie Dimon quoted as being interested in buying all or part of Bear Stearns,[33] and (c) S&P's and Fitch Ratings's downgrading of Bear Stearns credit ratings.[34] (*See* Attachment A.) Those news announcements all were also at least partly related to the alleged fraud at issue in this matter.

27. The first two news items –JP Morgan agreeing to furnish secured funding for 28 days

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[30] Bloomberg, "Moody's Downgrades Bear Stearns to A2; Outlook Stable," December 20, 2007. The article states that "according to Moody's, the downgrade reflects Bear's weak performance in 2007, Moody's view that risk appetite has increased, as well as a more challenging core operating outlook in 2008. Moody's said that as a result of sizable write-downs on its mortgage and CDO portfolios, Bear reported a fourth quarter pre-tax loss of $1.4 billion, which, combined with a weak third quarter, reduced full-year pre-tax income to just $193 million."

[31] Because I could have classified this news item as either fraud-related or non-fraud related, I classified these news items as non-fraud-related on Attachment 30 to the Finnerty Report in order to be conservative in Defendants' favor. If I could classify a news item either way, I did not want my classification by itself to result in the attribution of a daily abnormal return to fraud unless the fraud-related news was the driver of the abnormal return for the day.

[32] Bloomberg, "M2 Presswire: Progressive Following on The Bear Stearns," March 14, 2008.

[33] Bloomberg, "JPMorgan's Dimon Would Be Interested in Bear Stearns, CNBC Says," March 14, 2008.

[34] Bloomberg, "Bear Stearns Cut by S&P," March 14, 2008; Bloomberg, "Bear Stearns Long-Term Counterparty Rating Cut to BBB by S&P," March 14, 2008; and Bloomberg, "Fitch Downgrades Bear Stearns to 'BBB'; on Watch Negative," March 14, 2008.

and news reporting that JP Morgan might acquire all or part of Bear Stearns – would both have positively affected Bear Stearns's stock price because first, the availability of secured funding would have suggested a relaxing of the liquidity pressures facing Bear Stearns and second, merger news generally elicits a favorable stock price reaction.[35]

28. The third news item I classified as "non-fraud-related" on March 14, 2008 was the news announcements regarding Bear Stearns credit rating downgrades by S&P and Fitch Ratings. These news announcements contain elements of both fraud-related and non-fraud-related information about Bear Stearns because the rating downgrade announcements cite to Bear Stearns's growing liquidity problems and to the greater risk associated with Bear Stearns's lack of access to traditional funding sources.[36] Because the credit rating downgrades by the rating agencies were primarily triggered by Bear Stearns's liquidity problems, the news is also directly related to the alleged fraud at issue in this matter.

29. Given that the news concerning the availability of additional secured funding and the potential acquisition of Bear Stearns would each have had a positive impact on Bear Stearns's stock price, by not parsing out the impact of this positive news on March 14, 2007 from the abnormal return on that date, I am being conservative in Defendants' favor in my damages calculation by understating the damages on that date.

30. Thus, the negative abnormal returns on Bear Stearns's stock on both days – December

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[35] *See, e.g.*, Pound, John and Richard Zeckhauser, "Clearly Heard on the Street: The Effect of Takeover Rumors on Stock Prices," *Journal of Business* 63, July 1990, pp. 291-308, and Turk, Thomas A., "Takeover Resistance, Information Leakage, and Target Firm Value," *Journal of Management*, 18, 1992, pp. 503-522.

[36] Bloomberg, "MHP US: S&P: The Bear Stearns Cos. Inc. Downgraded; Ratings Placed On CreditWatch Negative," March 14, 2008. The news article states that S&P's "rating action follows Bear's announcement that its liquidity position has substantially deteriorated in the past 48 hours."; Bloomberg, "Fitch Downgrades Bear Stearns to 'BBB'; on Watch Negative," March 14, 2008. The news article states that Fitch Ratings's "rating actions are taken in consideration of Bear Stearns' rising risk profile that has impeded its access to traditional funding sources… Bear Stearns suffered recent liquidity deterioration as credit risk re-pricing and declining business opportunities in the overall market continued."

21, 2007 and March 14, 2008 – were driven by the fraud-related news, which is my justification for classifying them as fraud-related news days. Therefore, Defendants' criticisms of my classification of days with a mix of Bear Stearns-specific fraud-related news and non-fraud-related news are unfounded because I correctly identified the days on which the abnormal return was due to the fraud in performing my damages analysis.

B. Alternative Damages Calculations

31. Thus, I stand by my initial identification of the effect of the fraud on Bear Stearns's stock price during the Leakage Period of (1) days with only non-fraud-related news but without any statistically significant abnormal return and (2) mixed-news (fraud-related news and non-fraud-related news) days during the Leakage Period as correct. Nevertheless, in an abundance of caution and in order to take into account Defendants' criticisms, I considered three alternative approaches for handling these days, each corresponding to Defendants' specific criticisms. I calculate the daily but-for prices and the daily amounts of inflation during the Leakage Period for each alternate approach.

32. As illustrated in Attachment 31 to the Finnerty Report, I initially classified as non-fraud-related news days those days during the Leakage Period with both (1) statistically significant abnormal returns and (2) only non-fraud-related public news. In Attachment 31, the adjusted expected return on Bear Stearns's stock is set equal to the actual return on Bear Stearns's stock on each of those days. Thus, on each day with a statistically significant abnormal return and only non-fraud-related public news, the but-for price changes by the same percentage (and in the same direction) as the actual price.

33. As noted above, there were ten mixed-news days that had abnormal returns that were statistically significant at the 10% level. The three alternative approaches classify the following days as non-fraud-related news days under the stated assumptions: (1) days

with a statistically significant abnormal return and with either non-fraud-related news only or a mix of fraud-related news and non-fraud-related news (Scenario 1),[37] (2) days with non-fraud-related news regardless of the statistical significance of the abnormal returns on those days (Scenario 2), and (3) days with either non-fraud-related news only or a mix of fraud-related and non-fraud-related news regardless of the statistical significance of the abnormal return (Scenario (3), which combines Scenarios (1) and (2)).

34. These approaches classify days as non-fraud-related news days notwithstanding the fraud-related news items on those days or classify those days with only non-fraud-related news and with not statistically significant abnormal returns as non-fraud-related news days notwithstanding the fact that the insignificance of the abnormal return makes them indistinguishable from mere noise, or both. All three approaches are thus conservative in favor of the Defendants.

35. Attachment B presents the three alternative scenarios and calculates the corresponding damages amounts. The inflation per share during the pre-Leakage Period based on my original classification of dates was $78.73.[38] When I classified those days with a mix of

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[37] In this scenario, an additional nine days were classified as non-fraud-related news days. Of the ten days I identified as having a mix of news and a statistically significant abnormal return, March 14, 2008 is a Disclosure Date and is thus classified as a fraud-related news day.

[38] I have adjusted the calculation of the inflation amount slightly for the pre-Leakage Period. In the Finnerty Report, I calculated the amount of pre-Leakage Period inflation based on the amount of inflation in Bear Stearns's common stock at the close of the market on the first day of the Leakage Period, December 20, 2007. In the slightly revised calculation, I have based the amount of inflation during the pre-Leakage Period on the amount of inflation in Bear Stearns's stock at the close of the market on the last day of the pre-Leakage Period, December 19, 2007. This revision together with the handful of corrections made during my deposition as noted in footnote 28 slightly reduce the amount of inflation attributable to the alleged fraud during the pre-Leakage Period to $78.73 from $79.09. Subsequent to these corrections, I revised the following figures in the Finnerty Report: (1) the cumulative abnormal return attributable to the alleged fraud for the entire Leakage Period is revised to -28.21% from -25.71% (*see* Attachment C); (2) the maximum damages per share for Mr. Sherman are revised to $78.12 per share from $78.45 per share; (3) and the aggregate damages amount for Mr. Sherman for the shares he purchased during the Relevant Period are revised to approximately $13,124,923 from approximately $13,147,777 , the aggregate amount of the prejudgment interest is revised to $8,669,464

fraud-related news and non-fraud-related news and with statistically significant abnormal returns as non-fraud-related news days (Scenario 1), the maximum damages per share are reduced by approximately $4.08 (or 5.18%, to $74.65). When I classified those days with non-fraud-related news and with statistically insignificant abnormal returns as non-fraud-related news days (Scenario 2), the maximum damages per share are reduced by only $0.05 (0.07%, to $78.68). Even in the most conservative alternative scenario, in which I combined the first two alternative scenarios by classifying those days with a mix of fraud-related news and non-fraud-related news and with statistically significant abnormal returns as non-fraud-related news days *and* also by classifying those days with non-fraud-related news and with statistically insignificant abnormal returns as non-fraud-related news days (Scenario 3), the reduction in damages amount is still only $4.30 (or 5.46%, to $74.43). The difference is not substantial because the magnitude of the impact of the fraud-related news is relatively small on the dates that are reclassified as non-fraud-related news days in the three alternative scenarios.

36. In sum, even if I were to reclassify certain days during the Leakage Period as non-fraud-related news days to address Defendants' criticisms, the damages amounts would not be substantially different from my original damage calculation.

C. Inclusion of the Period between March 10, 2008 and March 13, 2008 in the Leakage Period

37. Defendants also criticized my inclusion of the period between March 10, 2008 and March 13, 2008 in the Leakage Period in testing the statistical significance of the

from $8,685,378, and the aggregate damages amount, including prejudgment interest, for Mr. Sherman are revised to $21,794,387 from $21,833,155 (*see* Attachment D).

cumulative abnormal return on Bear Stearns's stock during the Leakage Period.[39] Defendants argued that, if I had excluded the four dates from the Leakage Period, the cumulative abnormal return during the Leakage Period would not be statistically significant.[40] The criticism is baseless for the reasons discussed below.

38. First of all, there is no rationale for excluding the four days from the Leakage Period, because rumors concerning Bear Stearns's liquidity problems continued to leak out to the marketplace during this period, which is the very reason that these four days must be included in the Leakage Period. Secondly, although the Leakage Period may not exhibit a statistically significant cumulative abnormal return when the four days are excluded, that criticism does not undercut my opinion that the Bear Stearns's stock price was reacting to the information leaked into the market during the Leakage Period.

39. As illustrated in Attachment E, even though the cumulative return on Bear Stearns's stock during the Leakage Period excluding the week of March 10, 2008 is not statistically significantly different from the cumulative return on the custom industry index (S&P 500 Investment Banking & Brokerage Index excluding Bear Stearns), this statement is true only if one ignores the lack of co-movement of Bear Stearns's stock price and the custom industry index in other portions of the Leakage Period. For example, Attachment E illustrates that Bear Stearns's stock price movement was not in line with the stock price movement of its peers for the periods between December 20, 2007 and December 24, 2007, between January 4, 2008 and January 9, 2008, and between January 22, 2008 and January 25, 2008.

40. In particular, Bear Stearns's stock price increased approximately 20% during the period

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[39] Defendants' Memorandum of Law in Support of Their Motion to Exclude the Report and Testimony of John D. Finnerty, Dated August 17, 2015, p.14.
[40] *Ibid.*

between January 22, 2008 and January 25, 2008, while the custom industry index increased approximately 5%, as illustrated in Attachment E. A number of factors appear to have contributed to the substantial price increase of Bear Stearns's stock during this four-day period, including the following news items:

a. Around January 22, 2008, there were rumors circulating in the marketplace that Credit Suisse might be interested in acquiring Bear Stearns.[41] This was positive news to those Bear Stearns investors who were aware of Bear Stearns's liquidity problems;

b. On January 22, 2008, there was market-wide news regarding the Federal Reserve's decision to cut short-term interest rates by the largest amount in 25 years and 0.5% greater than expected. This was especially positive news to those Bear Stearns investors who were aware that Bear Stearns was desperately in need of funding; and

c. Around January 22, 2008, there could have been short covering activity in Bear Stearns stock, as Bear Stearns had been heavily shorted during the preceding week. (*See* Attachment F.[42]) The short interest as a percentage of Bear Stearns's shares outstanding was about 19.85% as of January 18, 2008, but only 14.48% as of February 15, 2008 (the next short interest reporting date) before rising to 19.77% as of March 14, 2008. Consequently, part of the price increase in Bear Stearns's stock price would likely be explained by any short covering in response to the other favorable news about Bear Stearns around January 22, 2008.

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[41] Reuters, "CS no comment on talk of interest in Bear Stearns," January 22, 2008.
[42] Attachment F was previously attached to the Finnerty Report as Attachment 23.

41. If the substantially positive abnormal return for the four-day period was excluded from the Leakage Period, Bear Stearns's cumulative abnormal return during the Leakage Period excluding the week of March 10, 2008 would be -14.56% and statistically significant at the 5% level.[43] The fact that Bear Stearns's cumulative return during the Leakage Period excluding the week of March 10, 2008 was not statistically significantly different from that of its peer group, as the Defendants have claimed, does not support the conclusion that there was no market reaction to the information leakage during the Leakage Period. In fact, Bear Stearns's stock price increase in response to rumors regarding a potential takeover during the period between January 22, 2008 and January 25, 2008 reinforces my leakage theory. Additionally, it provides confirmation that leakage was occurring because takeover rumors are a common form of information leakage.[44]

42. One cannot arbitrarily exclude a certain period of time, such as the period between March 10, 2008 and March 13, 2008, in analysing information leakage during the Leakage Period. If other periods, such as the period between January 22, 2008 and January 25, 2008, were excluded, the results would also be markedly different from what Defendants have claimed. The entire Leakage Period should be included in the leakage analysis in order to perform an objective and replicable analysis.

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[43] In order to respond to Defendants' criticism, which was based on the comparison of the returns on Bear Stearns's stock with the returns on peer firms' stocks during the Leakage Period, the abnormal return of -14.56% is calculated based on the *Fama-French Three-Factor Model*, controlling for market-wide and industry-wide factors, but not controlling for Bear Stearns-specific non-fraud-related information.

[44] *See* Keown, Arthur J. and John M. Pinkerton, "Merger Announcements and Insider Trading Activity: An Empirical Investigation," Journal of Finance, 36, September 1981, pp. 855–869, and Pound, John and Richard Zeckhauser, "Clearly Heard on the Street: The Effect of Takeover Rumors on Stock Prices," Journal of Business, 63, July 1990, pp. 291-308.

VI. Damages Calculation Methodology

43. Defendants have also criticized my inflation calculation by claiming that I assumed that "Bear Stearns's stock price would have reacted in the same way at the beginning of the Relevant Period as it did at the end of the Relevant Period."[45] The criticism regarding the use of the "constant dollar" methodology in my damages calculation is unfounded for the reasons discussed below.

44. In 10b-5 securities fraud cases, there are three commonly used methodologies for calculating damages: the "constant dollar" methodology, the "constant percentage" methodology, and the "index" methodology. I applied the "constant dollar" methodology for my damages calculation, which is a well-accepted methodology, widely applied by experts in 10b-5 class action matters, and consistent with the Supreme Court's ruling in *Dura*.[46] Since the court's decision in the *Williams Securities Litigation* that the "constant percentage" methodology was in conflict with *Dura*, the "constant dollar" methodology has been considered the only method consistent with *Dura*.[47]

45. In fact, when stock prices exhibit an overall declining trend for the relevant period, which is typical in 10b-5 securities fraud cases, the "constant dollar" methodology for damages calculation results in a smaller damages amount than the "constant percentage" methodology. Given that Bear Stearns's stock price at the beginning of the Relevant Period (late 2006 and early 2007) was almost twice as high as the stock price in the latter

[45] Defendants' Memorandum of Law in Support of Their Motion to Exclude the Report and Testimony of John D. Finnerty, Dated August 17, 2015, p.16.
[46] *See* Tabak, David, "Inflation and Damages in a Post-Dura World," *National Economic Research Associates, Inc. (NERA)*, September 15, 2007; Hammel, Jeff G. and B. John Casey, "Sizing Securities Fraud Damages: 'Constant Percentage' on Way Out?," *New York Law Journal*, 241, January 21, 2009; and Nielsen, Peri and Stephen Prowse, "Dura's Impact on Damages," *Insights: The Corporate & Securities Law Advisor*, 22, July 2008, pp. 16-25.
[47] *See* Tabak, David, "Inflation and Damages in a Post-Dura World," *National Economic Research Associates, Inc. (NERA)*, September 15, 2007.

part of the Relevant Period, by applying the "constant dollar" methodology, I was being conservative in Defendants' favor in my damages calculation. For example, if I had applied the "constant percentage" methodology in my damages calculation, the daily inflation amount in Bear Stearns's stock price prior to the Leakage Period would have been even greater in terms of a dollar inflation amount.[48]

46. My analysis is based on the materials I have reviewed to date. I reserve the right to amend my opinion and file a supplemental report in this matter should I obtain any other significant information that leads me to change any of the opinions expressed in this expert report. To the extent this matter is adjourned for any reason, I further reserve the right to supplement this expert report.

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge.

Executed: October 13, 2015

John D. Finnerty

John D. Finnerty, Ph.D.

[48] For comparison purposes only, the maximum inflation per share during the Relevant Period based on the "constant percentage" methodology would be approximately $150, as compared to $79.60 based on the "constant dollar" methodology.

Attachment A

Bruce S. Sherman v. Bear Stearns Companies Inc., et al.

Summary of News Items on Days with a Mix of Fraud-Related News and Non-Fraud-Related News during the Leakage Period

Effective Trading Date	**Actual Return**	**Abnormal Return**	**Significant Level of Abnormal Return [1]**	**Summary of News Items**	**Economically Significant Non-Fraud-Related News[2]**
12/21/2007	-1.61%	-5.46%	***	Fraud-Related: Analyst at CIBC stated, "problems at Bear are not limited to mortgages, other business areas are concerning as well." Court Tosses Ruling Bear Stearns Must Pay $125 Million in Hedge Fund Fraud. **CNBC commentator says sources indicate Bear in talks with Fortress for additional capital infusion**. Rumors circulating that "there would be additional needs for capital." Non-Fraud-Related: Moody's downgraded Bear Stearns based on higher than anticipated rates of delinquency, foreclosure, and REO in the underlying collateral relative to credit enhancement levels. Bear Stearns wins 20% Share of LME Electronic Trade. Share price forecast was cut 11% by Bernstein.	Yes
1/8/2008	-6.66%	-2.49%	***	Fraud-Related: Bear's CEO James Cayne to step down, WSJ Reported, Schwartz was likely to be named Bear Stearns' new CEO. Analyst at Punk Ziegel & Company stated, "The new price target for Bear Stearns is $67 per share down from $94 per share. The recommendation on the stock continues to be Sell...Moreover, it **apparently never had an adequate risk management system in place**...His [Cayne] maintaining the post of Chairman is totally inappropriate and an indication that this company's Board has no intention of placing theshareholder first...Mr. Schwartz is the right choice for the new CEO." Non-Fraud-Related: Bear Stearns expressed interest in extending its operations to Pakistan. California hired Bear Stearns to manage the sale of the state's student loan servicing agency. Hintz, an analyst at Sanford C. Bernstein & Co., said Bear Stearns won't be sold. Moody's downgraded Bear Stearns' Alt-A deals based on higher than anticipated rates of delinquency, foreclosure, and REO in the underlying collateral. Matthew Albrecht, an analyst at Standard & Poor's, said Bear Stearns needs to diversify. Analyst at Rapid Ratings stated, "the Company's rating was B3 (66) indicating moderate credit risk. As well, the share price is moderately undershooting the credit rating, indicating a strong buy. In summary, Bear Stearns is an investment grade company, while the share price is overestimating the level of credit risk."	No
1/9/2008	5.13%	3.23%	***	Fraud-Related: Bear Stearns CEO in a CNBC interview said "there's no need to raise additional capital. Bear Stearns Cos. is "**adequately marked" to market on its investments and the securities firm is "comfortable with its position."** Analyst at Buckingham Research Group believed the replacement of Bear's CEO was "a net positive... though, is clearly only incremental for the stock. The market is much more focused on the uncertainty surrounding the capital markets environment and the fundamentals." There were "two positive for BSC that seem overlooked: **1) BSC stated that their capital position was "strong", implying no dilutive capital injections are in the offing**; and 2) there is dramatic comp leverage in '08 coming from $250 million in cost savings ($1 per share in EPS) and a change in counting for employee stock awards (close to $2 in EPS in '08). Non-Fraud-Related: BSC named President Alan Schwartz to be the new CEO, replacing Jimmy Cayne. Mr. Cayne would retire from the firm, stay on as chairman of the board of directors, and be succeeded as chief executive officer by Bear Stearns president Alan D. Schwartz. Bear Stearns chief Alan Schwartz vowed to return the investment bank and ruled out looking for a buyer for the embattled firm, which led to speculation it might be ripe for takeover but Schwartz quickly scotched the suggestion, saying: "Being acquired is not a strategy." Fitch upgraded Bear Stearns Commercial Mortgage Securities Trust 2004-TOP16 and commercial mortgage pass-through certificates, series 2000-WF2. Bear Stearns was closing a hedge fund that invested in asset-backed securities after it plummeted at least 39% last year, losing more than $300 million between August and the end of November.	Yes
1/30/2008	-3.63%	-3.34%	***	Fraud-Related: **Bear Stearns's Level 3 share exceeds rivals'.** Banks and securities firms worldwide have written down more than $138 billion in the value of their subprime assets, leading to record losses: Bear Stearns $28.17, Morgan Stanley $73.65, Goldman Sachs $69.15, Lehman Brothers $41.9. Non-Fraud-Related: Zacks.com rated Merrill Lynch & Co.and Bear Stearns Co. as strong sell stocks.	No

Attachment A

Bruce S. Sherman v. Bear Stearns Companies Inc., et al.

Summary of News Items on Days with a Mix of Fraud-Related News and Non-Fraud-Related News during the Leakage Period

Effective Trading Date	Actual Return	Abnormal Return	Significant Level of Abnormal Return [1]	Summary of News Items	Economically Significant Non-Fraud-Related News[2]
2/15/2008	5.51%	4.66%	***	Fraud-Related: Prosecutors were investigating whether any conflicting statements by Cioffi and co-manager Matthew Tannin constitute fraud, the Journal said. Analyst at Fox-Pitt Kelton stated "We are lowering our fiscal 1Q08 EPS est. to $1.60 from $2.20, reflecting continued challenges in credit mkts, particularly on the corporate side. We are lowering our FY08 EPS est. to $9.46 from $11.76...Given the **lack of liquidity in many credit mkts**, we expect $820 mil. in net write downs...Bear is very inexpensive at 1x book and we see no justification for this, given that the collapse of its two proprietary hedge funds is in the rear view mirror...Bear's levgd loan exposure, the worst of the current issues, is the lowest in the group. Non-Fraud-Related: Bear Stearns running to HoD; takeover chatter is catalyst Bear rose most in two weeks on Takeover Speculation: "The rumor going around is a $98 cash offer over the weekend."	Yes
3/5/2008	-1.80%	-1.94%	**	Fraud-Related: Bear Stearns Estimates Cut by S&P Equity Analyst "on **expectations of more writedowns" and "reputational damage" caused by the collapse of the two hedge funds**. Citic Group chairman said Bear Stearns deal was approved by U.S. Non-Fraud-Related: Bear Stearns joined German Energy Exchange to trade electricity.	No
3/10/2008	-11.10%	-7.07%	***	Fraud-Related: Bear Stearns Allan Greenberg told CNBC that **liquidity rumors are totally ridiculous**. Bear Stearns dropped on cash crunch rumors. Bear Stearns **shares dropped on liquidity concerns.** **Bank, broker bond risk soared on Bear Stearns capital concerns.** EPS & capital infusion chatter BSC is recently off on its lows at $69.93 on **unconfirmed chatter Wilbur Ross could make a capital infusion in BSC**. Non-Fraud-Related: Analyst at Pricetarget Research stated, "Bear Stearns Companies' Price Target of $140 represents a 100% change from its current price of $70.08."New warrants issue linked to the Bear Stearns ISIS Index and the Dow Jones Euro STOXX 50 Index. Bear launched new ETF to trade short-term fixed income instruments. Moody's downgraded Bear Sterns' Alt-A deals.	No
3/11/2008	1.08%	-6.59%	***	Fraud-Related: Bear Stearns fell 9.3%, the most since 1998, on speculation the company lacks sufficient access to capital. Bear denied market rumors regarding the firm's liquidity. News reporter saw no news to explain what forced Bear deep into the red to new five-year lows but suspected that the big volume spike on the downside is news driven. Multiple news cited to Punk Ziegel's Bove's statement that Bear needs a new business model and the company will probably be forced to merge. "We have a good deal of comfort about the capital cushions at these firms at the moment," Cox told reporters today in Washington. Bear is getting attacked on earnings, on the value of the assets, and on the liquidity of those assets. Non-Fraud-Related: Bear Stearns acquires 15% interest in forestry company. Bear Stearns private equity targeting raising $250-350 million. Fitch Ratings upgrades Bear Stearns Commercial Mortgage Securities Inc.'s mortgage pass-through certificates, series 2003-PWR2. The second-largest shareholder of Bear isn't selling any of his stake. Faber on CNBC says one plausible explanation for weakness in BSC is that people are shorting the stock rather than buying credit default swaps, which have become expensive.	No

Attachment A
Bruce S. Sherman v. Bear Stearns Companies Inc., et al.
Summary of News Items on Days with a Mix of Fraud-Related News and Non-Fraud-Related News during the Leakage Period

Effective Trading Date	Actual Return	Abnormal Return	Significant Level of Abnormal Return [1]	Summary of News Items	Economically Significant Non-Fraud-Related News[2]
3/13/2008	-7.44%	-9.53%	***	Fraud-Related: Bear said the pace of withdrawal could outstrip the company's resources. Some hedge funds that use Bear as a prime broker also have been shifting portions of their business to other firms in recent weeks. A WSJ story rehashed recent concerns on BSC, noting that traders have been reluctant to engage in long-term transactions such as credit-default swaps with Bear Stearns as the counterparty are. CNBC reiterated the same issues. A finance professor at New York University's Stern said, ``The real problem at Bear Stearns is that this is eating into some of their key businesses,'' such as clearing and prime brokerage. Non-Fraud-Related: Bear is maintaining their 1Q08 EPS est of $0.90 (vs. $0.90 consensus).	No
3/14/2008	-47.37%	-41.08%	***	Fraud-Related: "Bear's stock has followed a similar pattern in recent days, plunging early on fresh rumors of dire problems, before partly recovering on more positive comments from Bear executives." Brad Hintz, an analyst at Sanford Bernstein, said investors had not been convinced by the statements from Bear executives. "The exercise [BSC admitted liquidity problems within 24 hours] backfired royally." Mark Grant from Southwest Securities said, the crisis at Bear Stearns "was probably caused by mark to markets in the kinds of mortgage products or debt, tier one, tier two and three, that they have. It may have hit the wall in terms of markdowns enough that it raised the capital issues but the situation didn't come about in the last 24 hours." Bear Stearns comfortable with EPS range, coverage ratio has increased, and no material changes in liquidity ratios. Bear Stearns said rumors led to lack of capacity. Bear Stearns said no significant mark-to-market hits since 2/29/2008. Non-Fraud-Related: Federal Reserve may have decided this week to inject $200 billion in the money market to prevent the collapse of Bear Stearns. Brad Hintz, an analyst at Sanford Bernstein, said and investors were skeptical that Monday's move by the Federal Reserve to allow banks such as Bear temporarily to trade certain mortgage backed and other securities for Treasuries would be enough. JPMorgan Chase is providing secured funding to Bear for 28 days, backstopped by the Federal Reserve Bank of New York. US stocks rose first on the Fed's decision to provide funding to Bear and government report shows that inflation ground to a halt. US stocks fell after Fitch Ratings said bank losses will be higher than expected. Jamie Dimon would be interested in buying all or part of Bear Stearns Cos. The London Metal Exchange said Bear Stearns Cos. remains an exchange member. Bear Stearns Offering $91 Million of Municipal Bonds for Sale. Bear Stearns was cut to underperform at Oppenheimer, downgraded by S&P and Fitch.	Yes

Notes:

[1] *, **, and *** denote statistical significance at the 10%, 5%, and 1% level, respectively.

[2] Bear Stearns-related economically significant non-fraud-related news items released on the effective trading date.

Sources: Bloomberg L.P. and Thomson One.

Attachment B

Bruce S. Sherman v. Bear Stearns Companies Inc., et al.

Comparison of But-for Price and Inflation per Share of Bear Stearns' Common Stock during the Relevant Period

Page 1 of 8

Calculation of daily but-for price and inflation during the Leakage Period based on the following three alternative scenarios:

Scenario 1: treat days with statistically significant abnormal return and either only Bear Stearns's non-fraud-related news or a mix of Bear Stearns's fraud and non-fraud-related news as non-fraud-related news days.

Scenario 2: treat days with only Bear Stearns's non-fraud-related news as non-fraud-related news days regardless of the statistical significance of the abnormal return.

Scenario 3: combine Scenario 1 and Scenario 2.

					The Base Case Scenario				Alternative Scenario 1				Alternative Scenario 2				Alternative Scenario 3			
Date	BSC Stock Price	BSC Total Return	BSC Abnormal Return	Sig[1]	Non-Fraud Related[2]	Adjusted Expected Return	But-For Price	Inflation[3]	Non-Fraud Related[2]	Adjusted Expected Return	But-For Price	Inflation	Non-Fraud Related[2]	Adjusted Expected Return	But-For Price	Inflation	Non-Fraud Related[2]	Adjusted Expected Return	But-For Price	Inflation
12/14/06	159.96	2.61%	1.80%	**			81.23	78.73			85.31	74.65			81.28	78.68			85.53	74.43
12/15/06	163.68	2.33%	2.06%	**			84.95	78.73			89.03	74.65			85.00	78.68			89.25	74.43
12/18/06	164.34	0.40%	-0.33%				85.61	78.73			89.69	74.65			85.66	78.68			89.91	74.43
12/19/06	164.59	0.15%	0.43%				85.86	78.73			89.94	74.65			85.91	78.68			90.16	74.43
12/20/06	165.32	0.44%	-0.09%				86.59	78.73			90.67	74.65			86.64	78.68			90.89	74.43
12/21/06	163.30	-1.22%	-0.45%				84.57	78.73			88.65	74.65			84.62	78.68			88.87	74.43
12/22/06	162.19	-0.68%	-0.16%				83.46	78.73			87.54	74.65			83.51	78.68			87.76	74.43
12/26/06	162.80	0.38%	-0.81%				84.07	78.73			88.15	74.65			84.12	78.68			88.37	74.43
12/27/06	164.56	1.08%	-0.27%				85.83	78.73			89.91	74.65			85.88	78.68			90.13	74.43
12/28/06	163.35	-0.74%	-0.42%				84.62	78.73			88.70	74.65			84.67	78.68			88.92	74.43
12/29/06	162.78	-0.35%	0.08%				84.05	78.73			88.13	74.65			84.10	78.68			88.35	74.43
01/03/07	162.83	0.03%	-0.68%				84.10	78.73			88.18	74.65			84.15	78.68			88.40	74.43
01/04/07	162.64	-0.12%	0.92%				83.91	78.73			87.99	74.65			83.96	78.68			88.21	74.43
01/05/07	162.32	-0.20%	0.41%				83.59	78.73			87.67	74.65			83.64	78.68			87.89	74.43
01/08/07	164.99	1.64%	-0.10%				86.26	78.73			90.34	74.65			86.31	78.68			90.56	74.43
01/09/07	165.25	0.16%	0.14%				86.52	78.73			90.60	74.65			86.57	78.68			90.82	74.43
01/10/07	168.68	2.08%	0.74%				89.95	78.73			94.03	74.65			90.00	78.68			94.25	74.43
01/11/07	170.65	1.36%	-0.25%				91.92	78.73			96.00	74.65			91.97	78.68			96.22	74.43
01/12/07	171.51	0.50%	-0.54%				92.78	78.73			96.86	74.65			92.83	78.68			97.08	74.43
01/16/07	170.62	-0.52%	-0.33%				91.89	78.73			95.97	74.65			91.94	78.68			96.19	74.43
01/17/07	171.22	0.35%	0.58%				92.49	78.73			96.57	74.65			92.54	78.68			96.79	74.43
01/18/07	169.23	-1.16%	0.34%				90.50	78.73			94.58	74.65			90.55	78.68			94.80	74.43
01/19/07	169.91	0.40%	-0.02%				91.18	78.73			95.26	74.65			91.23	78.68			95.48	74.43
01/22/07	169.21	-0.41%	-1.23%				90.48	78.73			94.56	74.65			90.53	78.68			94.78	74.43
01/23/07	166.50	-1.60%	-1.20%				87.77	78.73			91.85	74.65			87.82	78.68			92.07	74.43
01/24/07	169.85	2.01%	-0.53%				91.12	78.73			95.20	74.65			91.17	78.68			95.42	74.43
01/25/07	164.72	-3.02%	0.02%				85.99	78.73			90.07	74.65			86.04	78.68			90.29	74.43
01/26/07	164.07	-0.39%	-0.48%				85.34	78.73			89.42	74.65			85.39	78.68			89.64	74.43
01/29/07	162.05	-1.23%	0.23%				83.32	78.73			87.40	74.65			83.37	78.68			87.62	74.43
01/30/07	162.80	0.46%	0.23%				84.07	78.73			88.15	74.65			84.12	78.68			88.37	74.43
01/31/07	164.85	1.26%	-0.23%				86.12	78.73			90.20	74.65			86.17	78.68			90.42	74.43
02/01/07	165.28	0.26%	-0.92%				86.55	78.73			90.63	74.65			86.60	78.68			90.85	74.43
02/02/07	166.35	0.65%	0.12%				87.62	78.73			91.70	74.65			87.67	78.68			91.92	74.43
02/05/07	165.06	-0.78%	-0.41%				86.33	78.73			90.41	74.65			86.38	78.68			90.63	74.43
02/06/07	166.15	0.66%	0.59%				87.42	78.73			91.50	74.65			87.47	78.68			91.72	74.43
02/07/07	166.44	0.17%	0.00%				87.71	78.73			91.79	74.65			87.76	78.68			92.01	74.43

Attachment B

Bruce S. Sherman v. Bear Stearns Companies Inc., et al.

Comparison of But-for Price and Inflation per Share of Bear Stearns' Common Stock during the Relevant Period

					The Base Case Scenario				Alternative Scenario 1				Alternative Scenario 2				Alternative Scenario 3			
Date	BSC Stock Price	BSC Total Return	BSC Abnormal Return	Sig[1]	Non-Fraud Related[2]	Adjusted Expected Return	But-For Price	Inflation[3]	Non-Fraud Related[2]	Adjusted Expected Return	But-For Price	Inflation	Non-Fraud Related[2]	Adjusted Expected Return	But-For Price	Inflation	Non-Fraud Related[2]	Adjusted Expected Return	But-For Price	Inflation
02/08/07	163.75	-1.62%	-1.29%				85.02	78.73			89.10	74.65			85.07	78.68			89.32	74.43
02/09/07	159.73	-2.45%	-1.12%				81.00	78.73			85.08	74.65			81.05	78.68			85.30	74.43
02/12/07	157.30	-1.52%	-0.31%				78.57	78.73			82.65	74.65			78.62	78.68			82.87	74.43
02/13/07	160.10	1.78%	0.90%				81.37	78.73			85.45	74.65			81.42	78.68			85.67	74.43
02/14/07	165.81	3.57%	1.79%	**			87.08	78.73			91.16	74.65			87.13	78.68			91.38	74.43
02/15/07	167.10	0.78%	0.79%				88.37	78.73			92.45	74.65			88.42	78.68			92.67	74.43
02/16/07	167.19	0.05%	0.45%				88.46	78.73			92.54	74.65			88.51	78.68			92.76	74.43
02/20/07	169.43	1.34%	0.41%				90.70	78.73			94.78	74.65			90.75	78.68			95.00	74.43
02/21/07	168.12	-0.77%	-0.46%				89.39	78.73			93.47	74.65			89.44	78.68			93.69	74.43
02/22/07	166.08	-1.21%	-0.67%				87.35	78.73			91.43	74.65			87.40	78.68			91.65	74.43
02/23/07	161.29	-2.88%	-0.67%				82.56	78.73			86.64	74.65			82.61	78.68			86.86	74.43
02/26/07	158.23	-1.90%	0.07%				79.50	78.73			83.58	74.65			79.55	78.68			83.80	74.43
02/27/07	152.31	-3.74%	1.50%	*			73.58	78.73			77.66	74.65			73.63	78.68			77.88	74.43
02/28/07	152.24	-0.05%	-0.62%				73.51	78.73			77.59	74.65			73.56	78.68			77.81	74.43
03/01/07	151.72	-0.34%	-0.01%				72.99	78.73			77.07	74.65			73.04	78.68			77.29	74.43
03/02/07	147.49	-2.79%	-0.88%				68.76	78.73			72.84	74.65			68.81	78.68			73.06	74.43
03/05/07	144.50	-2.03%	0.55%				65.77	78.73			69.85	74.65			65.82	78.68			70.07	74.43
03/06/07	149.00	3.11%	-0.14%				70.27	78.73			74.35	74.65			70.32	78.68			74.57	74.43
03/07/07	149.37	0.25%	0.44%				70.64	78.73			74.72	74.65			70.69	78.68			74.94	74.43
03/08/07	152.06	1.80%	-0.09%				73.33	78.73			77.41	74.65			73.38	78.68			77.63	74.43
03/09/07	151.98	-0.05%	-0.61%				73.25	78.73			77.33	74.65			73.30	78.68			77.55	74.43
03/12/07	153.15	0.77%	0.28%				74.42	78.73			78.50	74.65			74.47	78.68			78.72	74.43
03/13/07	142.97	-6.65%	-2.65%	***			64.24	78.73			68.32	74.65			64.29	78.68			68.54	74.43
03/14/07	145.29	1.62%	0.97%				66.56	78.73			70.64	74.65			66.61	78.68			70.86	74.43
03/15/07	148.50	2.21%	1.24%				69.77	78.73			73.85	74.65			69.82	78.68			74.07	74.43
03/16/07	145.48	-2.03%	-1.08%				66.75	78.73			70.83	74.65			66.80	78.68			71.05	74.43
03/19/07	147.12	1.13%	-0.51%				68.39	78.73			72.47	74.65			68.44	78.68			72.69	74.43
03/20/07	147.32	0.14%	-0.65%				68.59	78.73			72.67	74.65			68.64	78.68			72.89	74.43
03/21/07	152.49	3.51%	-0.70%				73.76	78.73			77.84	74.65			73.81	78.68			78.06	74.43
03/22/07	150.57	-1.26%	-0.70%				71.84	78.73			75.92	74.65			71.89	78.68			76.14	74.43
03/23/07	152.97	1.59%	0.86%				74.24	78.73			78.32	74.65			74.29	78.68			78.54	74.43
03/26/07	151.17	-1.18%	-0.73%				72.44	78.73			76.52	74.65			72.49	78.68			76.74	74.43
03/27/07	148.86	-1.53%	-0.25%				70.13	78.73			74.21	74.65			70.18	78.68			74.43	74.43
03/28/07	147.57	-0.87%	0.86%				68.84	78.73			72.92	74.65			68.89	78.68			73.14	74.43
03/29/07	151.08	2.38%	2.52%	***			72.35	78.73			76.43	74.65			72.40	78.68			76.65	74.43
03/30/07	150.35	-0.48%	-0.48%				71.62	78.73			75.70	74.65			71.67	78.68			75.92	74.43
04/02/07	148.44	-1.27%	-1.44%	*			69.71	78.73			73.79	74.65			69.76	78.68			74.01	74.43
04/03/07	150.88	1.64%	-0.75%				72.15	78.73			76.23	74.65			72.20	78.68			76.45	74.43
04/04/07	150.95	0.05%	0.30%				72.22	78.73			76.30	74.65			72.27	78.68			76.52	74.43
04/05/07	150.40	-0.36%	-0.68%				71.67	78.73			75.75	74.65			71.72	78.68			75.97	74.43
04/09/07	149.00	-0.93%	-1.47%	*			70.27	78.73			74.35	74.65			70.32	78.68			74.57	74.43
04/10/07	147.45	-1.04%	-1.05%				68.72	78.73			72.80	74.65			68.77	78.68			73.02	74.43
04/11/07	147.78	0.22%	1.19%				69.05	78.73			73.13	74.65			69.10	78.68			73.35	74.43

Attachment B

Bruce S. Sherman v. Bear Stearns Companies Inc., et al.

Comparison of But-for Price and Inflation per Share of Bear Stearns' Common Stock during the Relevant Period

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					The Base Case Scenario				Alternative Scenario 1				Alternative Scenario 2				Alternative Scenario 3			
Date	BSC Stock Price	BSC Total Return	BSC Abnormal Return	Sig[1]	Non-Fraud Related[2]	Adjusted Expected Return	But-For Price	Inflation[3]	Non-Fraud Related[2]	Adjusted Expected Return	But-For Price	Inflation	Non-Fraud Related[2]	Adjusted Expected Return	But-For Price	Inflation	Non-Fraud Related[2]	Adjusted Expected Return	But-For Price	Inflation
04/12/07	148.26	0.32%	-0.01%				69.53	78.73			73.61	74.65			69.58	78.68			73.83	74.43
04/13/07	147.44	-0.34%	-0.41%				68.71	78.73			72.79	74.65			68.76	78.68			73.01	74.43
04/16/07	153.83	4.33%	0.80%				75.10	78.73			79.18	74.65			75.15	78.68			79.40	74.43
04/17/07	153.77	-0.04%	0.11%				75.04	78.73			79.12	74.65			75.09	78.68			79.34	74.43
04/18/07	157.02	2.11%	1.07%				78.29	78.73			82.37	74.65			78.34	78.68			82.59	74.43
04/19/07	157.37	0.22%	0.00%				78.64	78.73			82.72	74.65			78.69	78.68			82.94	74.43
04/20/07	156.60	-0.49%	-1.56%	*			77.87	78.73			81.95	74.65			77.92	78.68			82.17	74.43
04/23/07	157.30	0.45%	0.12%				78.57	78.73			82.65	74.65			78.62	78.68			82.87	74.43
04/24/07	157.59	0.18%	1.07%				78.86	78.73			82.94	74.65			78.91	78.68			83.16	74.43
04/25/07	158.39	0.51%	-0.99%				79.66	78.73			83.74	74.65			79.71	78.68			83.96	74.43
04/26/07	157.74	-0.41%	-0.10%				79.01	78.73			83.09	74.65			79.06	78.68			83.31	74.43
04/27/07	157.58	-0.10%	0.25%				78.85	78.73			82.93	74.65			78.90	78.68			83.15	74.43
04/30/07	155.70	-1.19%	0.19%				76.97	78.73			81.05	74.65			77.02	78.68			81.27	74.43
05/01/07	155.82	0.08%	-0.03%				77.09	78.73			81.17	74.65			77.14	78.68			81.39	74.43
05/02/07	155.96	0.09%	-0.60%				77.23	78.73			81.31	74.65			77.28	78.68			81.53	74.43
05/03/07	156.25	0.19%	-0.70%				77.52	78.73			81.60	74.65			77.57	78.68			81.82	74.43
05/04/07	157.77	0.97%	-0.75%				79.04	78.73			83.12	74.65			79.09	78.68			83.34	74.43
05/07/07	155.85	-1.22%	-0.76%				77.12	78.73			81.20	74.65			77.17	78.68			81.42	74.43
05/08/07	153.39	-1.58%	-0.68%				74.66	78.73			78.74	74.65			74.71	78.68			78.96	74.43
05/09/07	155.56	1.41%	0.46%				76.83	78.73			80.91	74.65			76.88	78.68			81.13	74.43
05/10/07	153.53	-1.30%	0.45%				74.80	78.73			78.88	74.65			74.85	78.68			79.10	74.43
05/11/07	156.40	1.87%	0.05%				77.67	78.73			81.75	74.65			77.72	78.68			81.97	74.43
05/14/07	153.85	-1.63%	-0.88%				75.12	78.73			79.20	74.65			75.17	78.68			79.42	74.43
05/15/07	150.55	-2.14%	-1.23%				71.82	78.73			75.90	74.65			71.87	78.68			76.12	74.43
05/16/07	149.58	-0.64%	-1.48%	*			70.85	78.73			74.93	74.65			70.90	78.68			75.15	74.43
05/17/07	148.51	-0.72%	-0.62%				69.78	78.73			73.86	74.65			69.83	78.68			74.08	74.43
05/18/07	149.57	0.71%	-0.85%				70.84	78.73			74.92	74.65			70.89	78.68			75.14	74.43
05/21/07	151.07	1.00%	0.88%				72.34	78.73			76.42	74.65			72.39	78.68			76.64	74.43
05/22/07	151.66	0.39%	0.03%				72.93	78.73			77.01	74.65			72.98	78.68			77.23	74.43
05/23/07	152.35	0.45%	0.71%				73.62	78.73			77.70	74.65			73.67	78.68			77.92	74.43
05/24/07	147.55	-3.15%	-1.78%	**			68.82	78.73			72.90	74.65			68.87	78.68			73.12	74.43
05/25/07	146.86	-0.47%	-0.15%				68.13	78.73			72.21	74.65			68.18	78.68			72.43	74.43
05/29/07	148.89	1.38%	0.18%				70.16	78.73			74.24	74.65			70.21	78.68			74.46	74.43
05/30/07	150.00	0.75%	-0.27%				71.27	78.73			75.35	74.65			71.32	78.68			75.57	74.43
05/31/07	149.96	-0.03%	0.17%				71.23	78.73			75.31	74.65			71.28	78.68			75.53	74.43
06/01/07	153.50	2.36%	1.51%	*			74.77	78.73			78.85	74.65			74.82	78.68			79.07	74.43
06/04/07	152.16	-0.87%	-0.21%				73.43	78.73			77.51	74.65			73.48	78.68			77.73	74.43
06/05/07	149.66	-1.64%	-1.27%				70.93	78.73			75.01	74.65			70.98	78.68			75.23	74.43
06/06/07	148.71	-0.63%	-0.08%				69.98	78.73			74.06	74.65			70.03	78.68			74.28	74.43
06/07/07	144.40	-2.90%	-0.16%				65.67	78.73			69.75	74.65			65.72	78.68			69.97	74.43
06/08/07	147.81	2.36%	0.08%				69.08	78.73			73.16	74.65			69.13	78.68			73.38	74.43
06/11/07	148.39	0.39%	-0.52%				69.66	78.73			73.74	74.65			69.71	78.68			73.96	74.43
06/12/07	146.00	-1.61%	-0.57%				67.27	78.73			71.35	74.65			67.32	78.68			71.57	74.43

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					The Base Case Scenario				Alternative Scenario 1				Alternative Scenario 2				Alternative Scenario 3			
Date	BSC Stock Price	BSC Total Return	BSC Abnormal Return	Sig[1]	Non-Fraud Related[2]	Adjusted Expected Return	But-For Price	Inflation[3]	Non-Fraud Related[2]	Adjusted Expected Return	But-For Price	Inflation	Non-Fraud Related[2]	Adjusted Expected Return	But-For Price	Inflation	Non-Fraud Related[2]	Adjusted Expected Return	But-For Price	Inflation
06/13/07	149.49	2.39%	-0.17%				70.76	78.73			74.84	74.65			70.81	78.68			75.06	74.43
06/14/07	149.60	0.07%	0.84%				70.87	78.73			74.95	74.65			70.92	78.68			75.17	74.43
06/15/07	150.09	0.33%	0.24%				71.36	78.73			75.44	74.65			71.41	78.68			75.66	74.43
06/18/07	147.95	-1.43%	-1.67%	**			69.22	78.73			73.30	74.65			69.27	78.68			73.52	74.43
06/19/07	146.79	-0.78%	-1.02%				68.06	78.73			72.14	74.65			68.11	78.68			72.36	74.43
06/20/07	143.20	-2.45%	-0.66%				64.47	78.73			68.55	74.65			64.52	78.68			68.77	74.43
06/21/07	145.81	1.82%	1.76%	**			67.08	78.73			71.16	74.65			67.13	78.68			71.38	74.43
06/22/07	143.75	-1.41%	1.40%	*			65.02	78.73			69.10	74.65			65.07	78.68			69.32	74.43
06/25/07	139.10	-3.23%	-1.93%	**			60.37	78.73			64.45	74.65			60.42	78.68			64.67	74.43
06/26/07	139.35	0.18%	0.84%				60.62	78.73			64.70	74.65			60.67	78.68			64.92	74.43
06/27/07	143.31	2.84%	0.85%				64.58	78.73			68.66	74.65			64.63	78.68			68.88	74.43
06/28/07	144.00	0.48%	0.75%				65.27	78.73			69.35	74.65			65.32	78.68			69.57	74.43
06/29/07	140.00	-2.78%	-1.28%				61.27	78.73			65.35	74.65			61.32	78.68			65.57	74.43
07/02/07	143.16	2.26%	0.70%				64.43	78.73			68.51	74.65			64.48	78.68			68.73	74.43
07/03/07	143.89	0.51%	-1.40%	*			65.16	78.73			69.24	74.65			65.21	78.68			69.46	74.43
07/05/07	144.66	0.54%	1.41%	*			65.93	78.73			70.01	74.65			65.98	78.68			70.23	74.43
07/06/07	144.80	0.10%	-0.53%				66.07	78.73			70.15	74.65			66.12	78.68			70.37	74.43
07/09/07	143.89	-0.63%	-0.66%				65.16	78.73			69.24	74.65			65.21	78.68			69.46	74.43
07/10/07	137.96	-4.12%	-0.71%				59.23	78.73			63.31	74.65			59.28	78.68			63.53	74.43
07/11/07	138.03	0.05%	-0.44%				59.30	78.73			63.38	74.65			59.35	78.68			63.60	74.43
07/12/07	142.12	2.96%	0.61%				63.39	78.73			67.47	74.65			63.44	78.68			67.69	74.43
07/13/07	142.89	0.77%	-0.02%				64.16	78.73			68.24	74.65			64.21	78.68			68.46	74.43
07/16/07	140.31	-1.81%	-1.28%				61.58	78.73			65.66	74.65			61.63	78.68			65.88	74.43
07/17/07	139.91	-0.29%	-0.12%				61.18	78.73			65.26	74.65			61.23	78.68			65.48	74.43
07/18/07	139.34	-0.41%	2.04%	**			60.61	78.73			64.69	74.65			60.66	78.68			64.91	74.43
07/19/07	138.93	-0.29%	1.13%				60.20	78.73			64.28	74.65			60.25	78.68			64.50	74.43
07/20/07	134.72	-3.03%	0.03%				55.99	78.73			60.07	74.65			56.04	78.68			60.29	74.43
07/23/07	134.25	-0.35%	0.00%				55.52	78.73			59.60	74.65			55.57	78.68			59.82	74.43
07/24/07	129.85	-3.28%	0.40%				51.12	78.73			55.20	74.65			51.17	78.68			55.42	74.43
07/25/07	129.28	-0.44%	-1.80%	**			50.55	78.73			54.63	74.65			50.60	78.68			54.85	74.43
07/26/07	124.25	-3.89%	-0.42%				45.52	78.73			49.60	74.65			45.57	78.68			49.82	74.43
07/27/07	123.18	-0.86%	-0.40%				44.45	78.73			48.53	74.65			44.50	78.68			48.75	74.43
07/30/07	127.25	3.30%	2.02%	**			48.52	78.73			52.60	74.65			48.57	78.68			52.82	74.43
07/31/07	121.22	-4.74%	-2.00%	**			42.49	78.73			46.57	74.65			42.54	78.68			46.79	74.43
08/01/07	118.30	-2.41%	-1.79%	**			39.57	78.73			43.65	74.65			39.62	78.68			43.87	74.43
08/02/07	115.63	-2.26%	-1.38%	*			36.90	78.73			40.98	74.65			36.95	78.68			41.20	74.43
08/03/07	108.35	-6.30%	-1.27%				29.62	78.73			33.70	74.65			29.67	78.68			33.92	74.43
08/06/07	113.81	5.04%	0.09%				35.08	78.73			39.16	74.65			35.13	78.68			39.38	74.43
08/07/07	116.89	2.71%	1.45%	*			38.16	78.73			42.24	74.65			38.21	78.68			42.46	74.43
08/08/07	121.12	3.62%	0.76%				42.39	78.73			46.47	74.65			42.44	78.68			46.69	74.43
08/09/07	114.05	-5.84%	-0.43%				35.32	78.73			39.40	74.65			35.37	78.68			39.62	74.43
08/10/07	110.20	-3.38%	-2.15%	***			31.47	78.73			35.55	74.65			31.52	78.68			35.77	74.43
08/13/07	109.60	-0.54%	0.81%				30.87	78.73			34.95	74.65			30.92	78.68			35.17	74.43

Attachment B

Bruce S. Sherman v. Bear Stearns Companies Inc., et al.

Comparison of But-for Price and Inflation per Share of Bear Stearns' Common Stock during the Relevant Period

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					The Base Case Scenario				Alternative Scenario 1				Alternative Scenario 2				Alternative Scenario 3			
Date	BSC Stock Price	BSC Total Return	BSC Abnormal Return	Sig[1]	Non-Fraud Related[2]	Adjusted Expected Return	But-For Price	Inflation[3]	Non-Fraud Related[2]	Adjusted Expected Return	But-For Price	Inflation	Non-Fraud Related[2]	Adjusted Expected Return	But-For Price	Inflation	Non-Fraud Related[2]	Adjusted Expected Return	But-For Price	Inflation
08/14/07	106.00	-3.28%	0.81%				27.27	78.73			31.35	74.65			27.32	78.68			31.57	74.43
08/15/07	103.15	-2.69%	-0.01%				24.42	78.73			28.50	74.65			24.47	78.68			28.72	74.43
08/16/07	116.44	12.88%	8.87%	***			37.71	78.73			41.79	74.65			37.76	78.68			42.01	74.43
08/17/07	118.20	1.51%	-3.75%	***			39.47	78.73			43.55	74.65			39.52	78.68			43.77	74.43
08/20/07	116.30	-1.61%	-0.70%				37.57	78.73			41.65	74.65			37.62	78.68			41.87	74.43
08/21/07	117.20	0.77%	-0.37%				38.47	78.73			42.55	74.65			38.52	78.68			42.77	74.43
08/22/07	114.75	-2.09%	-3.57%	***			36.02	78.73			40.10	74.65			36.07	78.68			40.32	74.43
08/23/07	116.61	1.62%	1.94%	**			37.88	78.73			41.96	74.65			37.93	78.68			42.18	74.43
08/24/07	117.10	0.42%	-0.69%				38.37	78.73			42.45	74.65			38.42	78.68			42.67	74.43
08/27/07	112.20	-4.18%	-2.58%	***			33.47	78.73			37.55	74.65			33.52	78.68			37.77	74.43
08/28/07	108.42	-3.37%	1.20%				29.69	78.73			33.77	74.65			29.74	78.68			33.99	74.43
08/29/07	107.10	-1.22%	-2.62%	***			28.37	78.73			32.45	74.65			28.42	78.68			32.67	74.43
08/30/07	106.70	-0.37%	1.00%				27.97	78.73			32.05	74.65			28.02	78.68			32.27	74.43
08/31/07	108.66	1.84%	-0.94%				29.93	78.73			34.01	74.65			29.98	78.68			34.23	74.43
09/04/07	114.13	5.03%	2.56%	***			35.40	78.73			39.48	74.65			35.45	78.68			39.70	74.43
09/05/07	108.95	-4.54%	-2.30%	***			30.22	78.73			34.30	74.65			30.27	78.68			34.52	74.43
09/06/07	107.67	-1.17%	-1.14%				28.94	78.73			33.02	74.65			28.99	78.68			33.24	74.43
09/07/07	105.37	-2.14%	-1.39%	*			26.64	78.73			30.72	74.65			26.69	78.68			30.94	74.43
09/10/07	107.50	2.02%	1.18%				28.77	78.73			32.85	74.65			28.82	78.68			33.07	74.43
09/11/07	107.64	0.13%	-0.59%				28.91	78.73			32.99	74.65			28.96	78.68			33.21	74.43
09/12/07	110.05	2.24%	2.19%	***			31.32	78.73			35.40	74.65			31.37	78.68			35.62	74.43
09/13/07	114.83	4.34%	0.45%				36.10	78.73			40.18	74.65			36.15	78.68			40.40	74.43
09/14/07	117.19	2.06%	2.11%	**			38.46	78.73			42.54	74.65			38.51	78.68			42.76	74.43
09/17/07	115.38	-1.54%	0.13%				36.65	78.73			40.73	74.65			36.70	78.68			40.95	74.43
09/18/07	119.20	3.31%	-3.01%	***			40.47	78.73			44.55	74.65			40.52	78.68			44.77	74.43
09/19/07	115.64	-2.99%	-3.44%	***			36.91	78.73			40.99	74.65			36.96	78.68			41.21	74.43
09/20/07	115.46	-0.16%	1.96%	**			36.73	78.73			40.81	74.65			36.78	78.68			41.03	74.43
09/21/07	117.32	1.61%	0.92%				38.59	78.73			42.67	74.65			38.64	78.68			42.89	74.43
09/24/07	112.99	-3.69%	-1.97%	**			34.26	78.73			38.34	74.65			34.31	78.68			38.56	74.43
09/25/07	114.24	1.11%	2.04%	**			35.51	78.73			39.59	74.65			35.56	78.68			39.81	74.43
09/26/07	123.00	7.67%	6.03%	***			44.27	78.73			48.35	74.65			44.32	78.68			48.57	74.43
09/27/07	121.15	-1.50%	-2.80%	***			42.42	78.73			46.50	74.65			42.47	78.68			46.72	74.43
09/28/07	122.81	1.37%	2.28%	***			44.08	78.73			48.16	74.65			44.13	78.68			48.38	74.43
10/01/07	125.50	2.19%	-0.77%				46.77	78.73			50.85	74.65			46.82	78.68			51.07	74.43
10/02/07	128.57	2.45%	0.12%				49.84	78.73			53.92	74.65			49.89	78.68			54.14	74.43
10/03/07	128.28	-0.23%	-0.40%				49.55	78.73			53.63	74.65			49.60	78.68			53.85	74.43
10/04/07	127.61	-0.52%	0.07%				48.88	78.73			52.96	74.65			48.93	78.68			53.18	74.43
10/05/07	131.58	3.11%	1.23%				52.85	78.73			56.93	74.65			52.90	78.68			57.15	74.43
10/08/07	126.64	-3.75%	-2.21%	***			47.91	78.73			51.99	74.65			47.96	78.68			52.21	74.43
10/09/07	127.46	0.65%	-2.10%	**			48.73	78.73			52.81	74.65			48.78	78.68			53.03	74.43
10/10/07	125.81	-1.29%	-0.32%				47.08	78.73			51.16	74.65			47.13	78.68			51.38	74.43
10/11/07	124.14	-1.33%	-0.08%				45.41	78.73			49.49	74.65			45.46	78.68			49.71	74.43
10/12/07	123.16	-0.53%	-1.40%	*			44.43	78.73			48.51	74.65			44.48	78.68			48.73	74.43

Attachment B

Bruce S. Sherman v. Bear Stearns Companies Inc., et al.

Comparison of But-for Price and Inflation per Share of Bear Stearns' Common Stock during the Relevant Period

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					The Base Case Scenario				Alternative Scenario 1				Alternative Scenario 2				Alternative Scenario 3			
Date	BSC Stock Price	BSC Total Return	BSC Abnormal Return	Sig[1]	Non-Fraud Related[2]	Adjusted Expected Return	But-For Price	Inflation[3]	Non-Fraud Related[2]	Adjusted Expected Return	But-For Price	Inflation	Non-Fraud Related[2]	Adjusted Expected Return	But-For Price	Inflation	Non-Fraud Related[2]	Adjusted Expected Return	But-For Price	Inflation
10/15/07	120.69	-2.01%	0.14%				41.96	78.73			46.04	74.65			42.01	78.68			46.26	74.43
10/16/07	123.05	1.96%	3.80%	***			44.32	78.73			48.40	74.65			44.37	78.68			48.62	74.43
10/17/07	120.41	-2.15%	-2.51%	***			41.68	78.73			45.76	74.65			41.73	78.68			45.98	74.43
10/18/07	119.34	-0.89%	-0.02%				40.61	78.73			44.69	74.65			40.66	78.68			44.91	74.43
10/19/07	116.41	-2.46%	2.45%	***			37.68	78.73			41.76	74.65			37.73	78.68			41.98	74.43
10/22/07	117.85	1.24%	-0.15%				39.12	78.73			43.20	74.65			39.17	78.68			43.42	74.43
10/23/07	116.16	-1.43%	-2.49%	***			37.43	78.73			41.51	74.65			37.48	78.68			41.73	74.43
10/24/07	113.54	-2.26%	-0.74%				34.81	78.73			38.89	74.65			34.86	78.68			39.11	74.43
10/25/07	111.05	-2.19%	-1.39%	*			32.32	78.73			36.40	74.65			32.37	78.68			36.62	74.43
10/26/07	116.21	4.65%	-0.44%				37.48	78.73			41.56	74.65			37.53	78.68			41.78	74.43
10/29/07	114.54	-1.44%	-4.22%	***			35.81	78.73			39.89	74.65			35.86	78.68			40.11	74.43
10/30/07	112.77	-1.55%	0.22%				34.04	78.73			38.12	74.65			34.09	78.68			38.34	74.43
10/31/07	113.60	0.74%	-1.86%	**			34.87	78.73			38.95	74.65			34.92	78.68			39.17	74.43
11/01/07	107.94	-4.98%	0.08%				29.21	78.73			33.29	74.65			29.26	78.68			33.51	74.43
11/02/07	102.16	-5.35%	-0.76%				23.43	78.73			27.51	74.65			23.48	78.68			27.73	74.43
11/05/07	99.91	-2.20%	1.88%	**			21.18	78.73			25.26	74.65			21.23	78.68			25.48	74.43
11/06/07	102.00	2.09%	1.05%				23.27	78.73			27.35	74.65			23.32	78.68			27.57	74.43
11/07/07	96.57	-5.32%	-0.36%				17.84	78.73			21.92	74.65			17.89	78.68			22.14	74.43
11/08/07	97.49	0.95%	0.18%				18.76	78.73			22.84	74.65			18.81	78.68			23.06	74.43
11/09/07	96.91	-0.59%	-1.39%	*			18.18	78.73			22.26	74.65			18.23	78.68			22.48	74.43
11/12/07	95.57	-1.38%	-1.72%	**			16.84	78.73			20.92	74.65			16.89	78.68			21.14	74.43
11/13/07	100.87	5.55%	-1.53%	*			22.14	78.73			26.22	74.65			22.19	78.68			26.44	74.43
11/14/07	103.27	2.38%	1.47%	*			24.54	78.73			28.62	74.65			24.59	78.68			28.84	74.43
11/15/07	99.94	-3.22%	-0.57%				21.21	78.73			25.29	74.65			21.26	78.68			25.51	74.43
11/16/07	99.07	-0.87%	0.32%				20.34	78.73			24.42	74.65			20.39	78.68			24.64	74.43
11/19/07	94.05	-5.07%	-1.94%	**			15.32	78.73			19.40	74.65			15.37	78.68			19.62	74.43
11/20/07	93.87	-0.19%	0.72%				15.14	78.73			19.22	74.65			15.19	78.68			19.44	74.43
11/21/07	91.28	-2.76%	0.72%				12.55	78.73			16.63	74.65			12.60	78.68			16.85	74.43
11/23/07	94.23	3.23%	-0.55%				15.50	78.73			19.58	74.65			15.55	78.68			19.80	74.43
11/26/07	91.04	-3.39%	1.24%				12.31	78.73			16.39	74.65			12.36	78.68			16.61	74.43
11/27/07	95.43	4.82%	1.60%	*			16.70	78.73			20.78	74.65			16.75	78.68			21.00	74.43
11/28/07	99.50	4.26%	-3.26%	***			20.77	78.73			24.85	74.65			20.82	78.68			25.07	74.43
11/29/07	98.64	-0.86%	0.83%				19.91	78.73			23.99	74.65			19.96	78.68			24.21	74.43
11/30/07	99.70	1.07%	-0.44%				20.97	78.73			25.05	74.65			21.02	78.68			25.27	74.43
12/03/07	98.40	-1.30%	-0.49%				19.67	78.73			23.75	74.65			19.72	78.68			23.97	74.43
12/04/07	93.61	-4.87%	-0.80%				14.88	78.73			18.96	74.65			14.93	78.68			19.18	74.43
12/05/07	92.60	-1.08%	-1.88%	**			13.87	78.73			17.95	74.65			13.92	78.68			18.17	74.43
12/06/07	98.21	6.06%	2.47%	***			19.48	78.73			23.56	74.65			19.53	78.68			23.78	74.43
12/07/07	100.94	2.78%	3.13%	***			22.21	78.73			26.29	74.65			22.26	78.68			26.51	74.43
12/10/07	105.75	4.77%	1.77%	**			27.02	78.73			31.10	74.65			27.07	78.68			31.32	74.43
12/11/07	100.30	-5.15%	1.16%				21.57	78.73			25.65	74.65			21.62	78.68			25.87	74.43
12/12/07	100.84	0.54%	-0.19%				22.11	78.73			26.19	74.65			22.16	78.68			26.41	74.43
12/13/07	98.39	-2.43%	-1.23%				19.66	78.73			23.74	74.65			19.71	78.68			23.96	74.43

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Date	BSC Stock Price	BSC Total Return	BSC Abnormal Return	Sig[1]	Non-Fraud Related[2]	Adjusted Expected Return	But-For Price	Inflation[3]	Non-Fraud Related[2]	Adjusted Expected Return	But-For Price	Inflation	Non-Fraud Related[2]	Adjusted Expected Return	But-For Price	Inflation	Non-Fraud Related[2]	Adjusted Expected Return	But-For Price	Inflation
12/14/07	95.29	-3.15%	-3.34%	***			16.56	78.73			20.64	74.65			16.61	78.68			20.86	74.43
12/17/07	94.07	-1.28%	-0.21%				15.34	78.73			19.42	74.65			15.39	78.68			19.64	74.43
12/18/07	92.59	-1.57%	0.87%				13.86	78.73			17.94	74.65			13.91	78.68			18.16	74.43
12/19/07	90.60	-2.15%	-3.65%	***			11.87	78.73			15.95	74.65			11.92	78.68			16.17	74.43
12/20/07	91.42	0.91%	0.74%		0	0.16%	11.89	79.53	0	0.16%	15.97	75.45	0	0.16%	11.94	79.48	1	0.91%	16.32	75.10
12/21/07	89.95	-1.61%	-5.46%	***	0	3.86%	12.35	77.60	1	-1.61%	15.72	74.23	0	3.86%	12.40	77.55	1	-1.61%	16.06	73.89
12/24/07	88.80	-1.28%	-2.29%	***	1	-1.28%	12.19	76.61	1	-1.28%	15.51	73.29	1	-1.28%	12.25	76.55	1	-1.28%	15.85	72.95
12/26/07	89.29	0.55%	0.01%		0	0.54%	12.25	77.04	0	0.54%	15.60	73.69	0	0.54%	12.31	76.98	0	0.54%	15.94	73.35
12/27/07	87.71	-1.77%	0.57%		0	-2.34%	11.97	75.74	0	-2.34%	15.23	72.48	0	-2.34%	12.02	75.69	0	-2.34%	15.56	72.15
12/28/07	87.35	-0.41%	-0.45%		0	0.04%	11.97	75.38	0	0.04%	15.24	72.11	0	0.04%	12.03	75.32	0	0.04%	15.57	71.78
12/31/07	88.25	1.03%	-0.10%		0	1.13%	12.11	76.14	0	1.13%	15.41	72.84	0	1.13%	12.16	76.09	0	1.13%	15.75	72.50
01/02/08	85.30	-3.34%	0.23%		0	-3.57%	11.67	73.63	0	-3.57%	14.86	70.44	0	-3.57%	11.73	73.57	0	-3.57%	15.18	70.12
01/03/08	83.83	-1.72%	-0.68%		0	-1.05%	11.55	72.28	0	-1.05%	14.71	69.12	0	-1.05%	11.61	72.22	0	-1.05%	15.02	68.81
01/04/08	78.87	-5.92%	-2.74%	***	1	-5.92%	10.87	68.00	1	-5.92%	13.84	65.03	1	-5.92%	10.92	67.95	1	-5.92%	14.14	64.73
01/07/08	76.25	-3.32%	-2.04%	**	1	-3.32%	10.51	65.74	1	-3.32%	13.38	62.87	1	-3.32%	10.56	65.69	1	-3.32%	13.67	62.58
01/08/08	71.17	-6.66%	-2.49%	***	0	-4.17%	10.07	61.10	1	-6.66%	12.48	58.69	0	-4.17%	10.12	61.05	1	-6.66%	12.76	58.41
01/09/08	74.82	5.13%	3.23%	***	0	1.90%	10.26	64.56	1	5.13%	13.12	61.70	0	1.90%	10.31	64.51	1	5.13%	13.41	61.41
01/10/08	77.75	3.92%	0.76%		0	3.16%	10.58	67.17	0	3.16%	13.54	64.21	1	3.92%	10.71	67.04	1	3.92%	13.93	63.82
01/11/08	79.90	3.18%	2.26%	***	1	3.18%	10.92	68.98	1	3.18%	13.97	65.93	1	3.18%	11.05	68.85	1	3.18%	14.38	65.52
01/14/08	81.80	2.38%	0.60%		0	1.78%	11.12	70.68	0	1.78%	14.22	67.58	0	1.78%	11.25	70.55	0	1.78%	14.63	67.17
01/15/08	77.57	-5.17%	-0.67%		0	-4.50%	10.62	66.95	0	-4.50%	13.58	63.99	1	-5.17%	10.67	66.90	1	-5.17%	13.88	63.69
01/16/08	79.05	1.91%	-0.76%		0	2.67%	10.90	68.15	0	2.67%	13.94	65.11	1	1.91%	10.87	68.18	1	1.91%	14.14	64.91
01/17/08	74.44	-5.83%	-0.37%		0	-5.46%	10.30	64.14	0	-5.46%	13.18	61.26	0	-5.46%	10.28	64.16	0	-5.46%	13.37	61.07
01/18/08	72.39	-2.75%	-2.48%	***	1	-2.75%	10.02	62.37	1	-2.75%	12.82	59.57	1	-2.75%	10.00	62.39	1	-2.75%	13.00	59.39
01/22/08	77.84	7.53%	3.81%	***	1	7.53%	10.77	67.07	1	7.53%	13.78	64.06	1	7.53%	10.75	67.09	1	7.53%	13.98	63.86
01/23/08	87.00	11.77%	5.50%	***	1	11.77%	12.04	74.96	1	11.77%	15.40	71.60	1	11.77%	12.01	74.99	1	11.77%	15.63	71.37
01/24/08	87.74	0.85%	1.45%	*	1	0.85%	12.14	75.60	1	0.85%	15.53	72.21	1	0.85%	12.11	75.63	1	0.85%	15.76	71.98
01/25/08	87.03	-0.81%	3.13%	***	1	-0.81%	12.05	74.98	1	-0.81%	15.41	71.62	1	-0.81%	12.02	75.01	1	-0.81%	15.63	71.40
01/28/08	91.10	4.68%	1.58%	*	1	4.68%	12.61	78.49	1	4.68%	16.13	74.97	1	4.68%	12.58	78.52	1	4.68%	16.36	74.74
01/29/08	91.58	0.53%	0.04%		0	0.49%	12.67	78.91	0	0.49%	16.21	75.37	0	0.49%	12.64	78.94	0	0.49%	16.44	75.14
01/30/08	88.26	-3.63%	-3.34%	***	0	-0.28%	12.64	75.62	1	-3.63%	15.62	72.64	0	-0.28%	12.60	75.66	1	-3.63%	15.84	72.42
01/31/08	89.65	1.57%	0.05%		0	1.53%	12.83	76.82	0	1.53%	15.86	73.79	0	1.53%	12.80	76.85	0	1.53%	16.09	73.56
02/01/08	92.89	3.61%	1.43%	*	1	3.61%	13.29	79.60	1	3.61%	16.43	76.46	1	3.61%	13.26	79.63	1	3.61%	16.67	76.22
02/04/08	91.00	-2.03%	0.09%		0	-2.13%	13.01	77.99	0	-2.13%	16.08	74.92	1	-2.03%	12.99	78.01	1	-2.03%	16.33	74.67
02/05/08	86.11	-5.37%	0.43%		0	-5.80%	12.25	73.86	0	-5.80%	15.15	70.96	0	-5.80%	12.24	73.87	0	-5.80%	15.38	70.73
02/06/08	82.25	-4.48%	-2.74%	***	1	-4.48%	11.71	70.54	1	-4.48%	14.47	67.78	1	-4.48%	11.69	70.56	1	-4.48%	14.69	67.56
02/07/08	83.03	0.95%	-0.70%		0	1.65%	11.90	71.13	0	1.65%	14.71	68.32	0	1.65%	11.88	71.15	0	1.65%	14.93	68.10
02/08/08	80.67	-2.84%	-0.49%		0	-2.36%	11.62	69.05	0	-2.36%	14.36	66.31	0	-2.36%	11.60	69.07	1	-2.84%	14.51	66.16
02/11/08	79.76	-1.13%	-0.25%		0	-0.88%	11.52	68.24	0	-0.88%	14.24	65.52	0	-0.88%	11.50	68.26	1	-1.13%	14.35	65.41
02/12/08	78.93	-1.04%	0.50%		0	-1.54%	11.34	67.59	0	-1.54%	14.02	64.91	0	-1.54%	11.32	67.61	1	-1.04%	14.20	64.73
02/13/08	80.53	2.03%	1.63%	**	1	2.03%	11.57	68.96	1	2.03%	14.30	66.23	1	2.03%	11.55	68.98	1	2.03%	14.49	66.04
02/14/08	78.47	-2.56%	-0.59%		0	-1.97%	11.34	67.13	0	-1.97%	14.02	64.45	0	-1.97%	11.32	67.15	1	-2.56%	14.11	64.36
02/15/08	82.79	5.51%	4.66%	***	0	0.85%	11.44	71.35	1	5.51%	14.79	68.00	0	0.85%	11.42	71.37	1	5.51%	14.89	67.90

Attachment B

Bruce S. Sherman v. Bear Stearns Companies Inc., et al.

Comparison of But-for Price and Inflation per Share of Bear Stearns' Common Stock during the Relevant Period

					The Base Case Scenario				Alternative Scenario 1				Alternative Scenario 2				Alternative Scenario 3			
Date	BSC Stock Price	BSC Total Return	BSC Abnormal Return	Sig[1]	Non-Fraud Related[2]	Adjusted Expected Return	But-For Price	Inflation[3]	Non-Fraud Related[2]	Adjusted Expected Return	But-For Price	Inflation	Non-Fraud Related[2]	Adjusted Expected Return	But-For Price	Inflation	Non-Fraud Related[2]	Adjusted Expected Return	But-For Price	Inflation
02/19/08	80.02	-3.35%	-0.57%		0	-2.77%	11.12	68.90	0	-2.77%	14.38	65.64	0	-2.77%	11.10	68.92	0	-2.77%	14.48	65.54
02/20/08	83.05	3.79%	0.82%		0	2.96%	11.45	71.60	0	2.96%	14.81	68.24	0	2.96%	11.43	71.62	0	2.96%	14.91	68.14
02/21/08	82.23	-0.99%	0.23%		0	-1.21%	11.31	70.92	0	-1.21%	14.63	67.60	0	-1.21%	11.29	70.94	0	-1.21%	14.73	67.50
02/22/08	85.16	3.56%	1.48%	*	1	3.56%	11.71	73.45	1	3.56%	15.15	70.01	1	3.56%	11.70	73.46	1	3.56%	15.25	69.91
02/25/08	86.72	1.83%	0.16%		0	1.67%	11.91	74.81	0	1.67%	15.40	71.32	1	1.83%	11.91	74.81	1	1.83%	15.53	71.19
02/26/08	86.48	-0.28%	0.49%		0	-0.76%	11.82	74.66	0	-0.76%	15.29	71.19	0	-0.76%	11.82	74.66	0	-0.76%	15.41	71.07
02/27/08	87.30	0.95%	-1.17%		0	2.12%	12.07	75.23	0	2.12%	15.61	71.69	0	2.12%	12.07	75.23	0	2.12%	15.74	71.56
02/28/08	84.22	-3.53%	-0.08%		0	-3.45%	11.65	72.57	0	-3.45%	15.07	69.15	0	-3.45%	11.65	72.57	0	-3.45%	15.20	69.02
02/29/08	79.86	-5.18%	-0.50%		0	-4.68%	11.11	68.75	0	-4.68%	14.37	65.49	0	-4.68%	11.11	68.75	0	-4.68%	14.49	65.37
03/03/08	77.32	-3.18%	-0.81%		0	-2.37%	10.84	66.48	0	-2.37%	14.02	63.30	0	-2.37%	10.84	66.48	1	-3.18%	14.02	63.30
03/04/08	77.17	-0.19%	-0.33%		0	0.13%	10.86	66.31	0	0.13%	14.04	63.13	0	0.13%	10.86	66.31	0	0.13%	14.04	63.13
03/05/08	75.78	-1.80%	-1.94%	**	0	0.14%	10.87	64.91	1	-1.80%	13.79	61.99	0	0.14%	10.87	64.91	1	-1.80%	13.79	61.99
03/06/08	69.90	-7.76%	-2.86%	***	1	-7.76%	10.03	59.87	1	-7.76%	12.72	57.18	1	-7.76%	10.03	59.87	1	-7.76%	12.72	57.18
03/07/08	70.08	0.26%	-0.06%		0	0.32%	10.06	60.02	0	0.32%	12.76	57.32	0	0.32%	10.06	60.02	0	0.32%	12.76	57.32
03/10/08	62.30	-11.10%	-7.07%	***	0	-4.03%	9.66	52.64	1	-11.10%	11.34	50.96	0	-4.03%	9.66	52.64	1	-11.10%	11.34	50.96
03/11/08	62.97	1.08%	-6.59%	***	0	7.67%	10.40	52.57	1	1.08%	11.47	51.50	0	7.67%	10.40	52.57	1	1.08%	11.47	51.50
03/12/08	61.58	-2.21%	-0.30%		0	-1.91%	10.20	51.38	0	-1.91%	11.25	50.33	0	-1.91%	10.20	51.38	0	-1.91%	11.25	50.33
03/13/08	57.00	-7.44%	-9.53%	***	0	2.09%	10.41	46.59	1	-7.44%	10.41	46.59	0	2.09%	10.41	46.59	1	-7.44%	10.41	46.59
03/14/08	**30.00**	**-47.37%**	**-41.08%**	*******			**6.83**	**23.17**			**6.83**	**23.17**			**6.83**	**23.17**			**6.83**	**23.17**
03/17/08	**4.81**	**-83.97%**	**-77.24%**	*******			**4.81**	**0.00**			**4.81**	**0.00**			**4.81**	**0.00**			**4.81**	**0.00**

Notes:

[1] ***, **, * represent statistical significance at the 1%, 5%, and 10% levels, respectively.

[2] The value of the indicator is set based on the following table. For all scenarios, the indicator for days without any news is set to 0. (For the days without any news, the abnormal returns are statistically insignificant, thus setting the indicator either to 0 or 1 does not make a significant difference.) The News column indicates whether observed public news on that day is fraud or non-fraud-related news. The Statistical Significance row indicates whether or not the abnormal return on that day is statistically significant at the 10% level. If the indicator is equal to 1, the Adjusted Expected Return in the but-for world is set equal to the BSC Total Return in the actual world. The Inflation is equal to the difference between the actual BSC Stock Price and the But-For Price.

[3] In the Finnerty Report, I calculated the amount of pre-Leakage Period inflation based on the amount of inflation in Bear Stearns's common stock at the close of the market on the first day of the Leakage Period, December 20, 2007. In this Attachment, I have based the amount of inflation during the pre-Leakage Period on the amount of inflation in Bear Stearns's stock at the close of the market on the last day of the pre-Leakage Period, December 19, 2007. Additionally, the daily inflation amounts under the Base Case Scenario reflect a handful of corrections made during the Finnerty Deposition to the categorization of fraud-related and non-fraud-related days illustrated in Attachment 31 to the Finnerty Report. The revised calculation slightly reduces the amount of pre-Leakage Period inflation to $78.73 from $79.09.

The Base Case Scenario

Value	News		
Statistical Significance	Only Fraud Related	Only Non-Fraud Related	Mix of Fraud and Non-Fraud
Sig.	0	1	0
Not Sig.	0	0	0

Alternative Scenario 1

Value	News		
Statistical Significance	Only Fraud Related	Only Non-Fraud Related	Mix of Fraud and Non-Fraud
Sig.	0	1	1
Not Sig.	0	0	0

Alternative Scenario 2

Value	News		
Statistical Significance	Only Fraud Related	Only Non-Fraud Related	Mix of Fraud and Non-Fraud
Sig.	0	1	0
Not Sig.	0	1	0

Alternative Scenario 3

Value	News		
Statistical Significance	Only Fraud Related	Only Non-Fraud Related	Mix of Fraud and Non-Fraud
Sig.	0	1	1
Not Sig.	0	1	1

Sources: Bloomberg L.P. and Kenneth R. French's data library.

Attachment C

Bruce S. Sherman v. Bear Stearns Companies Inc., et al.

Calculation of Damages per Share for the Leakage Period and the Disclosure Dates

Date(s)	Closing Price	Actual Return	Abnormal Return	Damages per Share	Sig[1]
12/19/2007	$ 90.60				
3/13/2008	$ 57.00	-37.09%	-28.21% [2]	$ 78.73 [3]	***
3/13/2008	$ 57.00				
3/14/2008	$ 30.00	-47.37%	-41.08%	$ 23.42 [4]	***
3/14/2008	$ 30.00				
3/17/2008	$ 4.81	-83.97%	-77.24%	$ 23.17 [5]	***

Notes:

[1] ***, **, * represent statistical significance at the 1%, 5%, and 10% levels, respectively.

[2] The abnormal return represents the cumulative abnormal return attributable to the alleged fraud for the entire Leakage Period.

[3] The damage per share is calculated based on the backwardation method during the Leakage Period which varies depending on the trading date. The amount shown represents the damage per share calculated based on the amount of inflation in Bear Stearns's stock at the close of the market on the last day of the pre-Leakage Period, December 19, 2007.

[4] The damage per share is calculated by multiplying $57.00, the prior day's closing price, by -41.08% the abnormal return on 03/14/2008.

[5] The damage per share is calculated by multiplying $30.00, the prior day's closing price, by -77.24% the abnormal return on 03/17/2008.

Attachment D

Bruce S. Sherman v. Bear Stearns Companies Inc., et al.

Calculation of Aggregate Damages for Shares of Bear Stearns' Common Stock Purchased by Bruce S. Sherman during the Relevant Period

Panel A. Purchases and Sales of Bear Stearns' Common Stock by Bruce S. Sherman During the Relevant Period

Date	Security	Buy or Sell	Quantity	Price
Beg. Holding	Common		32,150	$ 155.89 [1]
6/25/07	Common	Buy	15,000	140.76
8/3/07	Common	Buy	45,000	110.14
8/10/07	Common	Buy	10,000	108.60
8/14/07	Common	Buy	5,000	106.12
8/15/07	Common	Buy	7,000	103.15
10/8/07	Common	Buy	10,000	126.74
12/18/07	Common	Buy	10,000	91.54
1/9/08	Common	Buy	12,000	72.13
1/10/08	Common	Buy	13,000	75.95
3/11/08	Common	Buy	50,000	61.37
3/13/08	Common	Buy	20,000	53.77
3/19/08	Common	Sell	229,150	5.23

Panel B. Damages for Shares Purchased during the Relevant Period and Sold on March 19, 2008 Based on First-In-First-Out ("FIFO") Matching

Shares Sold	Sale Price	Purchase Date	Purchase Price	Out-of-Pocket Loss Per Share	Out-of-Pocket Loss	Inflation Per Share [2]	Damage Per Share [3]	Aggregate Damages Before Prejudgment Interest
32,150	$ 5.23	12/13/06 [1]	$ 155.89	$ 150.66	$ 4,843,719	$ -	$ -	$ -
15,000	5.23	6/25/07	140.76	135.53	2,032,950	78.12	78.12	1,171,745
45,000	5.23	8/3/07	110.14	104.91	4,720,950	78.12	78.12	3,515,236
10,000	5.23	8/10/07	108.60	103.37	1,033,700	78.12	78.12	781,163
5,000	5.23	8/14/07	106.12	100.89	504,450	78.12	78.12	390,582
7,000	5.23	8/15/07	103.15	97.92	685,440	78.12	78.12	546,814
10,000	5.23	10/8/07	126.74	121.51	1,215,100	78.12	78.12	781,163
10,000	5.23	12/18/07	91.54	86.31	863,100	78.12	78.12	781,163
12,000	5.23	1/9/08	72.13	66.90	802,800	64.03	64.03	768,322
13,000	5.23	1/10/08	75.95	70.72	919,360	66.62	66.62	866,009
50,000	5.23	3/11/08	61.37	56.14	2,807,000	52.03	52.03	2,601,740
20,000	5.23	3/13/08	53.77	48.54	970,800	46.05	46.05	920,984
Total					$ 21,399,369			**$ 13,124,923**

Panel C. Aggregate Damages After Prejudgment Interest

Shares Sold	Purchase Date	Date of Report	Number of Years [4]	Prejudgment Interest Rate [5]	Aggregate Damages Before Prejudgment Interest	Prejudgment Interest Amount [6]	Aggregate Damages After Prejudgment Interest
32,150	12/13/06	3/2/15	8.22	9.00%	$ -	$ -	$ -
15,000	6/25/07	3/2/15	7.69	9.00%	1,171,745	811,008	1,982,753
45,000	8/3/07	3/2/15	7.58	9.00%	3,515,236	2,399,221	5,914,456
10,000	8/10/07	3/2/15	7.56	9.00%	781,163	531,812	1,312,975
5,000	8/14/07	3/2/15	7.55	9.00%	390,582	265,521	656,102
7,000	8/15/07	3/2/15	7.55	9.00%	546,814	371,594	918,409
10,000	10/8/07	3/2/15	7.40	9.00%	781,163	520,447	1,301,611
10,000	12/18/07	3/2/15	7.21	9.00%	781,163	506,772	1,287,935
12,000	1/9/08	3/2/15	7.15	9.00%	768,322	494,273	1,262,596
13,000	1/10/08	3/2/15	7.15	9.00%	866,009	556,903	1,422,912
50,000	3/11/08	3/2/15	6.98	9.00%	2,601,740	1,633,964	4,235,703
20,000	3/13/08	3/2/15	6.97	9.00%	920,984	577,949	1,498,933
Total					**$ 13,124,923**	**$ 8,669,464**	**$ 21,794,387**

Notes:

[1] Sherman reported holdings of 32,150 shares of Bear common stock at the close of business on December 13, 2006. For purposes of this calculation, I assume the shares were purchased on December 13, 2006, prior to the start of the Class Period, at the closing price of $155.89. These shares are excluded from the damages calculation.

[2] *See* The Base Case Scenario in Attachment B for the inflation per share calculation. The inflation per share is adjusted based on the PSLRA 90-day look-back provision.

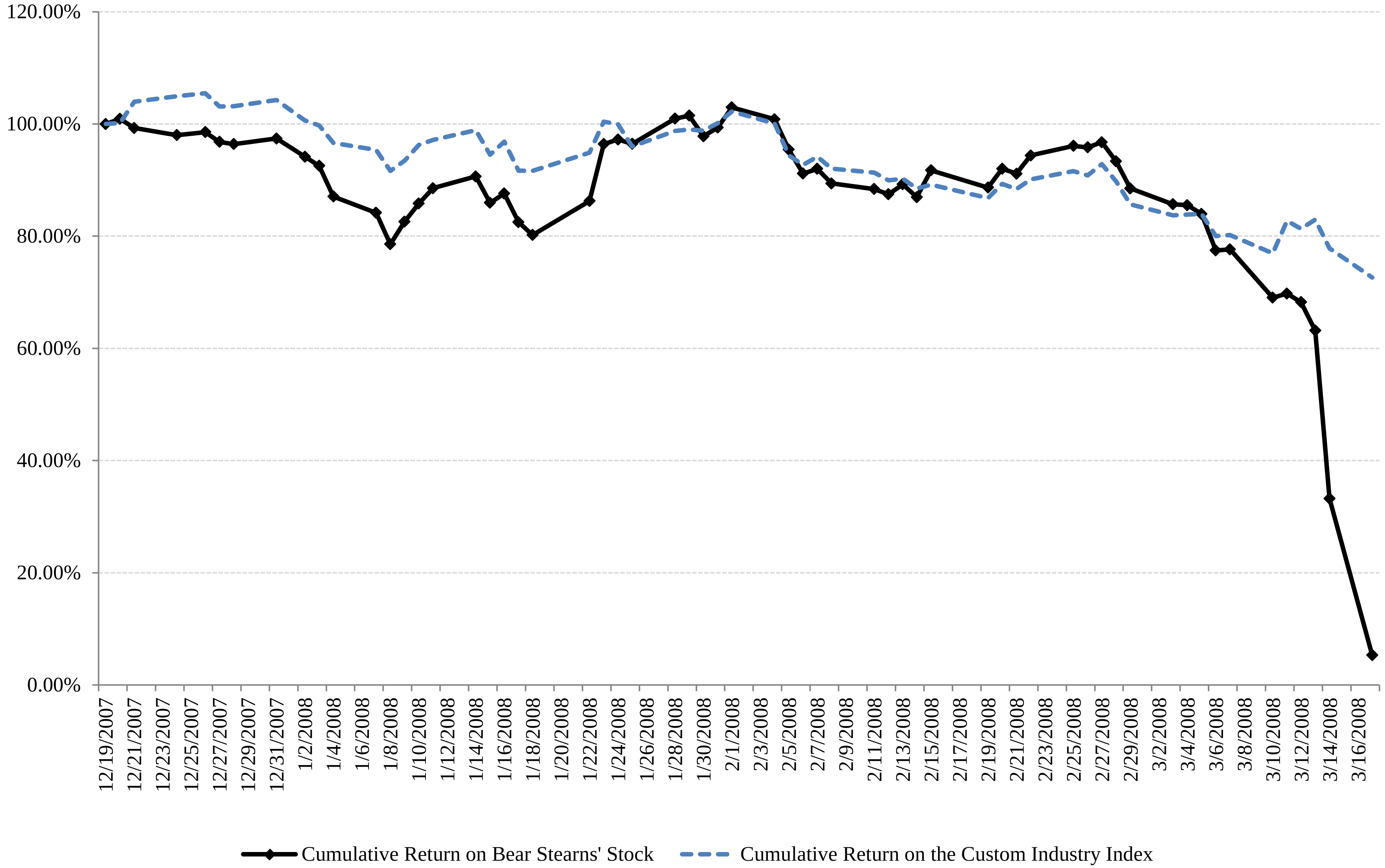
[3] The damage per share is equal to the lesser of the out-of-pocket loss per share and the inflation per share.

[4] Number of years between date or purchase and the date of this expert report based on actual number of days divided by 365.

[5] *See* N.Y. C.P.L.R. § 5001 ("[where] ... damages were incurred at various times, interest shall be computed upon each item from the date it was incurred or upon all of the damages from a single reasonable intermediate date," and that, "[interest] shall be at the rate of nine per centum per annum"); Mallis v. Bankers Trust Co., 717 F. 2d 683, 694-95 (2d Cir. 1983) (applying § 5001 and finding that plaintiffs bringing NY common law fraud claims were "entitled to prejudgment interest as a matter of right").

[6] Prejudgment interest calculated on the aggregate damages before prejudgment interest at 9% simple interest per annum between the date of purchase and the date of this report. I reserve the right to update the prejudgment interest calculation through the date of judgment if requested by counsel.

Attachment E
Bruce S. Sherman v. Bear Stearns Companies Inc., et al.
Cumulative Return on Bear Stearns' Stock and the Custom Industry Index
during the Leakage Period and the Disclosure Dates



Attachment F

Bruce S. Sherman v. Bear Stearns Companies Inc., et al.

Short Interest in BSC Common Stock During the Relevant Period [1]

	Bear Stearns Companies, Inc. Short Interest			NYSE Short Interest
Date	**Short Interest [2]**	**Shares Outstanding [3]**	**Short Interest as a Percentage of Shares Outstanding**	**Short Interest as a Percentage of Shares Outstanding [4]**
12/15/2006	5,641,548	117,311,064	4.809%	2.600%
1/12/2007	6,403,153	117,311,064	5.458%	2.600%
2/16/2007	5,185,531	119,771,275	4.330%	2.600%
3/16/2007	5,559,482	119,771,275	4.642%	2.800%
4/13/2007	5,975,321	119,033,628	5.020%	2.900%
5/18/2007	6,286,238	119,033,628	5.281%	3.100%
6/15/2007	7,578,016	119,033,628	6.366%	3.300%
7/13/2007	9,277,700	116,124,098	7.989%	3.400%
8/17/2007	12,082,278	116,124,098	10.405%	3.300%
9/14/2007	14,636,012	116,124,098	12.604%	3.100%
10/19/2007	15,047,607	115,461,065	13.033%	3.100%
11/16/2007	19,160,312	115,461,065	16.595%	3.300%
12/14/2007	17,876,252	115,461,065	15.482%	3.400%
1/18/2008	23,437,414	118,090,675	19.847%	3.600%
2/15/2008	17,097,739	118,090,675	14.478%	3.800%
3/14/2008	23,345,778	118,090,675	19.769%	4.100%
Average			10.382%	3.188%

Notes:

[1] The Relevant Period is from December 14, 2006 to March 14, 2008.

[2] Short Interest as reported by Bloomberg L.P.

[3] Shares outstanding reported in Bear Stearns' 10-Q and 10-K filings.

[4] NYSE Exchange US Short Interest as a % of Total Shares Outstanding ("NYSIPRTS Index"). The index represents the short interest data around the 15th of the month for the current month and is later revised around the 6th of the next month.

Sources: Bloomberg L.P. and 10-K Wizard.

APPENDIX A

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Dr. Finnerty is a Managing Director in the Financial Advisory Services Group at AlixPartners, LLP. He specializes in securities class actions, business valuation, securities valuation, derivatives valuation, solvency analysis, calculation of damages, and litigation support for matters involving valuation disputes, securities fraud, solvency, fairness, breach of contract, breach of fiduciary duty, broker raiding, commercial disputes, and employment disputes involving the valuation of employee stock options. He has testified as an expert in valuation, broker raiding, and securities and other financial matters in federal and state court and in arbitration and mediation proceedings. He has also testified as an expert in bankruptcy court concerning the fairness of proposed plans of reorganization.

Dr. Finnerty is also a Professor of Finance at Fordham University's Gabelli School of Business where he was the founding Director of the Master of Science in Quantitative Finance Program. He has taught for 28 years, including corporate finance, investment banking, fixed income securities, fixed income portfolio management, and bankruptcy restructuring.

Dr. Finnerty has published 15 books, including *Corporate Financial Management,* 4th ed., *Project Financing: Asset-Based Financial Engineering*, 3rd ed., P*rinciples of Financial Management*, and *Debt Management*, and more than 100 articles and professional papers in corporate finance, business and securities valuation, and other areas of finance. His writings and teaching have focused on the analysis and valuation of securities, especially fixed income instruments and complex derivative products, and mortgage-backed and other asset-backed securities. Dr. Finnerty is a former editor of *Financial Management*, one of the leading academic finance journals, and a former editor of *FMA Online*. He is an associate editor of the *Journal of Applied Finance* and a member of the editorial advisory boards of the *Journal of Portfolio Management* and the *International Journal of Portfolio Analysis & Management*.

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Dr. Finnerty worked for more than 20 years as an investment banker. He worked on more than 50 public and private financings, and served as financial advisor in connection with several mergers and several project financings.

Dr. Finnerty is a Trustee and a former Chair of the Trustees and a former President and Director of the Eastern Finance Association, a former Director of the Financial Management Association, and a former President and Director of the Fixed Income Analysts Society. He served as a member of FASB's Option Valuation Group in connection with the revision of FAS 123. He was inducted into the *Fixed Income Analysts Society Hall of Fame* in 2011.

EDUCATION

1977	Ph.D. in Operations Research, Naval Postgraduate School
1973	B.A. and M.A. in Economics, Cambridge University; Marshall Scholar
1971	A.B. in Mathematics, Williams College; magna cum laude with highest honors in Mathematics; Rice Prize in Mathematics; Phi Beta Kappa

BUSINESS EXPERIENCE

2013 – Present	**AlixPartners, LLP, New York, NY** Managing Director, Financial Advisory Services Group
2003 – 2013	**Finnerty Economic Consulting, LLC, New York, NY** Managing Principal
2001 - 2003	**Analysis Group, Inc., New York, NY** Managing Principal
1997 - 2001	**PricewaterhouseCoopers, LLP, New York, NY** Partner, Financial Advisory Services Group Dispute Analysis & Investigations securities litigation practice
1995 - 1997	**Houlihan Lokey Howard & Zukin, New York, NY** Director
1989 - 1995	**McFarland Dewey & Co., New York, NY** General Partner
1986 - 1989	**College Savings Bank, Princeton, NJ** Executive Vice President, Chief Financial Officer, Treasurer, Secretary, and Director

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1982 - 1986	**Lazard Frères & Company, New York, NY** Vice President, Corporate Finance Department
1977 - 1982	**Morgan Stanley & Co. Inc., New York, NY** Associate, Corporate Finance Department

ACADEMIC EXPERIENCE

1987 - Present	**Fordham University Gabelli School of Business, New York, NY (currently on leave)** Professor of Finance and founding Director of the Master of Science in Quantitative Finance Program. Received tenure in September 1991. Gladys and Henry Crown Award for Faculty Excellence, 1997.
1976 - 1977	**Naval Postgraduate School, Monterey, CA** Adjunct Professor, Department of Administrative Sciences
1973 - 1976	**United States Naval Reserve** Instructor, Naval Postgraduate School. Promoted to Lieutenant, USNR.

PROFESSIONAL ASSOCIATIONS

Chair of the Trustees, Eastern Finance Association (2009-2010), Trustee (2008-Present), President (2007-2008), and Director (2005-2008)

President, Fixed Income Analysts Society (2006-2007), and Director (2001-2009)

Director, Financial Management Association (1991-1999, 2005-2007, 2011-2013)

Editor, *Financial Management* (1993-1999)

Editor, *FMA Online* (2001-2010)

Associate Editor, *Journal of Derivatives Accounting* (2003-2005)

Associate Editor, *Journal of Applied Finance* (2000-2007, 2012-Present)

Associate Editor, *Journal of Financial Engineering* (1992-1999)

Member, Editorial Advisory Boards, *The Financier* (1995-2003), *Journal of Portfolio Management* (1995-Present), and *International Journal of Portfolio Analysis & Management* (2011-Present)

Globe Business Publishing Ltd., London, U.K., Globe Law and Business Reader Panel

OTHER ACTIVITIES

Leadership Giving Co-Chair, Williams College Class of 1971

Co-chairman, New Jersey Special Gifts Program, Williams College Third Century Campaign

Member, Special Gifts Committee, New York City Area for Williams College Third Century Campaign

Vice Chairman, Williams College Class of 1971 25th Reunion Gift Committee

Trustee, Spring Lake Bath and Tennis Club, and Co-Chair, Finance Committee

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AWARDS

Marshall Scholar, 1971

Gladys and Henry Crown Award for Faculty Excellence, Fordham Business School, 1997

Best Investments Paper, Southern Finance Association, 2001

Best Corporate Finance Paper, Southern Finance Association, 2006

Bene Merenti Medal, Fordham University, 2007

Fixed Income Analysts Society Hall of Fame, 2011

Achievements in Excellence Team Award, AlixPartners, LLP, 2014

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EXPERT TESTIMONY IN LAST FOUR YEARS

Client	***Case***	***Description of Testimony***
Brune & Richard	MBIA Insurance v. Patriarch Partners VIII and LD Investments U.S. District Court for the Southern District of New York Case No. 09 Civ. 3255 (RWS)	Responded to an expert damages report in a breach of contract matter, which calculated damages based on the value of a class of subordinated notes. Testified at deposition and at trial.
Robbins Geller Rudman & Dowd	Eric Silverman v. Motorola, Inc., et al. U.S. District Court for the Northern District of Illinois Case No. 1:07-cv-04507	Prepared an expert report on loss causation and a rebuttal report in connection with a securities class action. Testified at deposition.
Stradley Ronon Stevens & Young	Warren Klein, et al., v. Oppenheimer & Co. Inc. U.S. District Court for the Eastern District of Pennsylvania Civil Action No. 2:10-CV-06743	Prepared an expert rebuttal report describing auction rate securities (ARS), the market for ARS, the events surrounding the collapse of the market for ARS in February 2008, and addressing the plaintiffs' alleged damages. Testified at deposition.
Abbey Spanier Rodd & Abrams	In Re IMAX Corporation Securities Litigation U.S. District Court for the Southern District of New York Case No. 06 Civ. 6128 (NRB)	Prepared an expert report on loss causation in connection with a securities class action. Testified at deposition.
Figari & Davenport	Hillwood Investment Properties, et al. v. Radical Mavericks Management, et al. District Court, 192nd Judicial District, Dallas County, Texas Cause No. 10-05639	Assessed the solvency of a professional sports franchise. Testified at deposition.
Securities and Exchange Commission	Securities and Exchange Commission v. William Betta, Jr., et al. U.S. District Court for the Southern District of Florida Case No. 09-80803-Civ-MARRA/JOHNSON	Prepared an expert report describing the features and risk-return characteristics of various complex collateralized mortgage obligation classes and assessed their suitability for a set of investors. Testified at trial.
Robbins Geller Rudman & Dowd	In Re Par Pharmaceutical Securities Litigation U.S. District Court for the District of New Jersey Master File No. 2:06-cv-03226-PGS-ES	Prepared an expert report on market efficiency in connection with a securities class action. Testified at deposition.
Internal Revenue Service	The Markell Company, Inc. v. Commissioner of Internal Revenue United States Tax Court Houston, TX Docket No. 20551-08	Prepared an expert report and a rebuttal expert report concerning the reasonableness of profit expectation for a strategy involving a spread call option strategy. Testified at trial.

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Clients	***Case***	***Description of Testimony***
Labaton Sucharow Lim, Ruger & Kim Lite DePalma Greenberg	In re STEC, Inc. Securities Litigation U.S. District Court for the Central District of California Southern Division Case No. SACV 09-01304-JVS (MLGx)	Prepared an expert report on market efficiency in connection with a securities class action. Testified at deposition.
Berman DeValerio Labaton Sucharow	In re The Bear Stearns Companies, Inc. Securities, Derivative, and ERISA Litigation U.S. District Court for the Southern District of New York Master File No. 08 M.D.L. No. 1963 (RWS)	Prepared an expert report on the efficiency of the markets for the Company's common stock and call and put options written on its common stock in connection with a securities class action. Testified at deposition.
Keesal, Young & Logan	R.L. Wagner Trust, et al. v. Wells Fargo Bank, NA, et al. FINRA Arbitration Case No. 10-03743	Testified at arbitration about the operation of the auction rate securities market and the factors that caused it to seize up in 2008, and also testified as to damages.
Martin J. Auerbach, Esq. Cohen & Gresser	Keryx Biopharmaceuticals v. Jefferies & Company FINRA Arbitration Case No. 09-06138	Testified at arbitration about the operation of the auction rate securities market and the factors that caused it to seize up in 2008, and also testified as to damages.
Otterbourg, Steindler, Houston & Rosen Paul Hastings SNR Denton	In re Lehman Brothers Inc., Debtor U.S. Bankruptcy Court for the Southern District of New York Case No. 08-01420 (JMP) SIPA	Prepared an expert report describing the nature and use of repurchase agreements and explaining the differences between a repurchase agreement and a secured loan. Testified at deposition.
Kirkland & Ellis Cohen & Grigsby	In re: 1H 1, Inc., et al., Debtors George L. Miller, Chapter 7 Trustee v. Sun Capital Partners, Inc., et al. U.S. Bankruptcy Court for the District of Delaware Case No. 09-10982 (PJW)	Prepared an expert solvency report concerning an aluminum extrusion company. Testified at deposition and at trial.
Keesal, Young & Logan	Brigette Roberts v. ThinkEquity Partners LLC, et al. FINRA Arbitration Case No. 10-00992	Testified at arbitration about the operation of the auction rate securities market and the factors that caused it to seize up in 2008, and also testified as to damages.
Internal Revenue Service	Humboldt Shelby Holding Corporation and Subsidiaries v. Commissioner of Internal Revenue United States Tax Court Houston, TX Docket No. 25936-07	Prepared an expert report concerning the reasonableness of profit expectation for a strategy involving a spread call option strategy. Testified at trial.
Brualdi Law Firm	Hex Partners, et al. v. Mason N. Carter, et al. Superior Court of New Jersey, Civil Division Essex County Civil Action No.: L-246-10	Prepared an expert report comparing two change-of-control offers for Merrimac Industries, Inc. and a rebuttal expert report responding to the defendants' expert report. Testified at deposition.

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Clients	***Case***	***Description of Testimony***
Luboja & Thau, LLP	Hennion and Walsh v. Jason Chambeau and Morgan Stanley Smith Barney FINRA Arbitration Case No. 11-02850	Prepared an expert report concerning the lost profits damages allegedly resulting from the improper solicitation of former clients by a broker in violation of his employment agreement. Testified at arbitration.
Jenner & Block	Chesapeake Energy Corporation v. Bank of New York Mellon Trust U.S. District Court for the Southern District of New York Civil Action Number 1:13-cv-01582-PAE	Prepared an expert report concerning the prevalence in the fixed income market of bond indentures with provisions allowing an early par call or provisions keying redemption to the notice date, rather than the redemption date. Testified at deposition and at trial.
Ballard Spahr Haynes and Boone Richardson, Plowden & Robinson	First Command Financial Services, et al. v. James S. Agostini, et al. FINRA-DR Arbitration Arbitration No. 12-01697 (Consolidated)	Prepared an expert report concerning the lost profits damages resulting from the alleged raid of the entire Columbia, SC office of First Command Financial Services. Testified at arbitration.
Greenberg Traurig	EXX v. Stabosz, et al. v. EXX District Court, Clark County, Nevada Case No. A-11-652516-B	Prepared an expert report concerning the fair value per share of the common stock of EXX, Inc. in connection with a shareholder appraisal rights matter. Testified at deposition and at trial in state court.
Kirkland & Ellis	UBS Securities LLC and UBS AG, London branch v. Highland Capital Management, et al. Supreme Court of the State of New York, County of New York Index No. 650097/2009 (I.A.S., Part 60, Friedman, J.)	Prepared an expert report regarding (a) whether the LCDX Index can be used as a proxy for the market value of a portfolio of collateralized loan obligations or a portfolio of credit default swaps and (b) concerning the fair market value of a private issue of secured pay-in-kind callable notes as of three dates. Testified at deposition.
Bracewell & Giuliani	In re: TMT Procurement Corp., et al. U.S. Bankruptcy Court for the Southern District of Texas, Houston Division Case No. 13-33763	Prepared an expert report concerning the fair market value of a block of common stock of an oil field services firm, which block was potentially subject to the imposition of a constructive trust. Testified at deposition and at trial in bankruptcy court.
Goodwin Procter	Solar Morph Pte. Ltd. and Oppenheimer Investments Jersey Ltd. v. Applied Materials JAMS Arbitration No. 1100071838	Prepared an expert report providing background on project financing, describing the role of the investment banker in the process, and analyzing the reasonableness of the plaintiffs' efforts to raise financing for the purchase of the defendant's equipment. Testified at arbitration.
Kramer Levin Naftalis & Frankel Residential Capital Official Committee of Unsecured Creditors	In re: Residential Capital, LLC, et al., Debtors Residential Capital, LLC, et al. v. UMB Bank Official Committee of Unsecured Creditors v. UMB Bank U.S. Bankruptcy Court for the Southern District of New York Case No. 12-12020 (MG)	Prepared an expert report and a rebuttal expert report describing OID (original issue discount) bonds, explaining the discount as interest, calculating the amount of OID, describing incentives firms can give bondholders to exchange their bonds for new bonds when OID is created, and analyzing a debt-for-debt exchange offer Residential Capital conducted in 2008. Testified at deposition and at trial in bankruptcy court.

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Clients	***Case***	***Description of Testimony***
Internal Revenue Service	Sugarloaf Fund, LLC v. Commissioner of Internal Revenue United States Tax Court Chicago, IL Docket No. 671-10	Prepared an expert report concerning the market for distressed consumer receivables in Brazil and valuing three portfolios of distressed Brazilian consumer electronics receivables. Testified at trial in tax court.
Olshan Frome Wolosky	Iroquois Master Fund, Ltd. v. Quantum Fuel Systems Technologies Worldwide, Inc. U.S. District Court for the Southern District of New York Case No. 13 Civ. 3860	Prepared an expert report concerning the fair market value of an exchange right embedded in a corporate common stock warrant issued in a public offering and the impact of the warrant issue on the effective common stock price in a previously issued common stock warrant. Testified at deposition and at trial.
Kellogg, Huber, Hansen, Todd, Evans & Figel Korein Tillery	CMFG Life Insurance Company, et al. v. RBS Securities U.S. District Court for the Western District of Wisconsin Case No. 12-cv-00037 WMC	Prepared an expert report concerning the amount due to CMFG Life Insurance Company, CUMIS Insurance Society, and MEMBERS Life Insurance Company on their equitable rescission claim as a result of their purchase of residential mortgage-backed securities from RBS Securities. Testified at deposition.
Faegre Baker Daniels Sherman & Howard	The Pioneer Centres Holding Company Employee Stock Ownership Plan and Trust, et al. v. Alerus Financial and Berenbaum Weinshienk U.S. District Court for the District of Colorado Civil Action No. 1:12-cv-02547-RM-BNB	Prepared an expert report analyzing and comparing a proposed ESOP stock purchase and redemption transaction and a consummated asset purchase transaction, analyzing an independent transaction trustee's negotiating position with respect to the seller's representations and warranties, and assessing the plaintiffs' damages claims. Testified at deposition.
Quinn Emanuel Urquhart & Sullivan	In re Lehman Brothers Holdings, et al., v. JPMorgan Chase Bank U.S. Bankruptcy Court for the Southern District of New York Index No. 10-ap-03266	Prepared an expert report and a rebuttal expert report concerning the incremental value Lehman Brothers could have been realized from the sale of its investment management division if the bankruptcy of Lehman Brothers could have been delayed at least five business days. Testified at deposition.
Ashurst Markit Group Limited	European Commission Statement of Objections of 1 July 2013 Case COMP/39.745 – CDS Information Market	Prepared an expert report and a supplemental expert report explaining why the CDS market was not ready for exchange trading by 2009, CDS dealers were unlikely to have had sufficient incentives to become the initial market makers, and a CDS CLOB exchange was unlikely to achieve lower trading costs and wider new investor demand.
Internal Revenue Service	AD Investment 2000 Fund LLC AD Global 2000 Fund LLC v. Commissioner of Internal Revenue United States Tax Court New York, NY Docket Nos. 9177-08 and 9178-08	Prepared an expert report concerning the reasonableness of profit expectation for a strategy involving a spread call option strategy. Testified at trial in tax court.

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Clients	***Case***	***Description of Testimony***
Luboja & Thau	Charles Schwab v. Morgan Stanley Smith Barney FINRA-DR Arbitration Arbitration No. 12-02325	Prepared an expert report concerning the lost profits damages resulting from the alleged raid of two California offices of Charles Schwab. Testified at arbitration.
Satterlee Stephens Burke & Burke	Oppenheimer & Co. Inc. v. Deutsche Bank Securities Inc. FINRA Arbitration FINRA Case No. 10-04093	Prepared an expert report and testified at arbitration concerning auction rate credit-linked notes, their intended market, the fair market of the AR CLNs at issuance, and Deutsche Bank's unjust enrichment.
Wollmuth Maher & Deutsch	Lehman Brothers Special Financing, Inc. v. Bank of America, et al. U.S. Bankruptcy Court for the Southern District of New York Case No. 10-03547 (SCC)	Prepared an expert report concerning the economic commonality of certain payment preference provisions across 48 CDO transactions in which Lehman Brothers Special Financing was involved as a credit default swap counterparty. Testified at deposition.
Robbins Geller Rudman & Dowd	Carpenters Pension Trust Fund of St. Louis, et al. v. Barclays plc, et al. U.S. District Court for the Southern District of New York Civil Action No. 1:12-cv-05329-SAS	Prepared an expert report on the efficiency of the market for the American depositary shares (ADS) on the Company's common stock in connection with a securities class action. Testified at deposition and at trial.
Fox Rothschild	In re: 1H 1, Inc., et al., Debtors George L. Miller, Chapter 7 Trustee v. Kirkland & Ellis U.S. Bankruptcy Court for the District of Delaware Case No. 12-50713 (PJW)	Prepared an expert solvency report concerning an aluminum extrusion company. Testified at deposition.
Labaton Sucharow Robbins Geller Rudman & Dowd	In re Goldman Sachs Group, Inc. Securities Litigation U.S. District Court for the Southern District of New York Case No. 1:10-cv-03461-PAC	Prepared an expert report on the efficiency of the market for the Company's common stock in connection with a securities class action. Testified at deposition.
Internal Revenue Service	Endeavor Partners Fund, LLC, Delta Currency Trading, LLC, Tax Matters Partner, et al. v. Commissioner of Internal Revenue United States Tax Court New York, NY Docket Nos. 8698-12, 8710-12, 8721-12, 8846-12, 9975-12, 11290-12, and 12591-12	Prepared an expert rebuttal report responding to an expert report prepared by the taxpayer's expert, which provided an economic rationale underlying the taxpayer's business strategy. Testified at trial in tax court.
Boies, Schiller & Flexner Korein Tillery	Bruce S. Sherman v. Bear Stearns Companies Inc., et al. U.S. District Court for the Southern District of New York Index No. 09 Civ. 8161 (RWS)	Prepared an expert report in connection with a 10b-5 securities fraud matter concerning the efficiency of the market for the common stock of the Bear Stearns Companies, Inc., furnishing a loss causation analysis, and calculating the amount of damages sustained by Bruce Sherman due to the alleged fraud. Testified at deposition.

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Clients	***Case***	***Description of Testimony***
Arnold & Porter	AmTrust North America, Inc. v. SquareTrade, Inc. JAMS Arbitration No. 1100079447	Prepared an expert report concerning the improper sampling of consumer electronics claims submitted under the defendant's extended service plans and the incorrect calculation of damages by the plaintiff's experts. Testified at arbitration.
Humphrey, Farrington & McClain Klamann Law Firm White Graham Buckley & Carr	Dennis Demetre and Lori Lewis v. HMS Holdings Corp. Supreme Court of the State of New York, County of New York Index No. 652381/2012	Prepared an expert report identifying the expected synergies from a corporate merger; explaining due diligence, role of investment bankers, post-merger integration, and purpose of earn-outs in change-of-control transactions; analyzing the earn-out provision of a stock purchase agreement; and calculating the amount of damages sustained by the plaintiffs due to non-payment of the earn-out.

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PUBLICATIONS

Books

1. John D. Finnerty, An Illustrated Guide to Bond Refunding Analysis. The Financial Analysts Research Foundation, Charlottesville, VA, 1984.

2. John D. Finnerty, Corporate Financial Analysis: A Comprehensive Guide to Real-World Approaches for Financial Managers. McGraw-Hill Book Company, New York, 1986.
   a) Main Selection: Macmillan's The Executive Program
   b) Alternate Selection: Prentice-Hall's Books for Accountants

3. John D. Finnerty, Andrew J. Kalotay, and Francis X. Farrell, Jr., The Financial Manager's Guide to Evaluating Bond Refunding Opportunities. Ballinger Publishing Company, Cambridge, MA, 1988.

4. Douglas R. Emery and John D. Finnerty, Principles of Finance with Corporate Applications. West, St. Paul, MN, 1991.

5. John D. Finnerty and Martin S. Fridson, eds., The Yearbook of Fixed Income Investing 1995. Irwin Professional Publishing, Chicago, 1996.

6. John D. Finnerty, Project Financing: Asset-Based Financial Engineering. John Wiley & Sons, New York, 1996.

7. Douglas R. Emery and John D. Finnerty, Corporate Financial Management. Prentice Hall, Upper Saddle River, NJ, 1997.

8. Douglas R. Emery, John D. Finnerty, and John D. Stowe, Principles of Financial Management. Prentice Hall, Upper Saddle River, NJ, 1998.

9. John D. Finnerty and Douglas R. Emery, Debt Management. Harvard Business School Press, Boston, 2001.

10. Douglas R. Emery, John D. Finnerty, and John D. Stowe, Corporate Financial Management, 2nd ed. Prentice Hall, Upper Saddle River, NJ, 2004.

11. Douglas R. Emery, John D. Finnerty, and John D. Stowe, Corporate Financial Management, 3rd ed. Prentice Hall, Upper Saddle River, NJ, 2007.

12. Douglas R. Emery, John D. Finnerty, and John D. Stowe, Corporate Financial Management, Int. ed. Prentice Hall, Upper Saddle River, NJ, 2007.

13. John D. Finnerty, Project Financing: Asset-Based Financial Engineering, 2nd ed. John Wiley & Sons, New York, 2007.

14. Douglas R. Emery, John D. Finnerty, and John D. Stowe, Corporate Financial Management, 4th ed. Wohl Publishing, Morristown, NJ, 2011.

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15. John D. Finnerty, Project Financing: Asset-Based Financial Engineering, 3rd ed. John Wiley & Sons, New York, 2013.

Monographs

1. John D. Finnerty, "The PricewaterhouseCoopers Credit Derivatives Primer," PricewaterhouseCoopers LLP, New York, 1998.

2. John D. Finnerty, "Structuring Derivative Instruments to Adjust Risk Exposure: The Arithmetic of Financial Instruments," PricewaterhouseCoopers LLP, New York, 1999.

3. John D. Finnerty, "A Comparison of Alternative Models for Valuing Employee Stock Options," Financial Executives Research Foundation, Florham Park, NJ, January 2003.

Papers Published in Refereed Journals

1. John D. Finnerty, "How Often Will the Firemen Get Their Sleep?," Management Science (July 1977), pp. 1169-1173.

2. John D. Finnerty, "Real Money Balances and the Firm's Production Function," Journal of Money, Credit and Banking (November 1980), pp. 666-671.

3. John D. Finnerty, "The Behavior of Electric Utility Common Stock Prices Near the Ex-Dividend Date," Financial Management (Winter 1981), pp. 59-69.

4. John D. Finnerty, "The Stock Market's Reaction to the Switch from Flow-Through to Normalization," Financial Management (Winter 1982), pp. 36-47.

5. John D. Finnerty, "Evaluating the Economics of Refunding High-Coupon Sinking-Fund Debt," Financial Management (Spring 1983), pp. 5-10.

6. John D. Finnerty, "Bank Discount, Coupon Equivalent, and Compound Yields: Comment," Financial Management (Summer 1983), pp. 40-44.

7. John D. Finnerty, "Preferred Stock Refunding Analysis: Synthesis and Extension," Financial Management (Autumn 1984), pp. 22-28.

8. John D. Finnerty, "Stock-for-Debt Swaps and Shareholder Returns," Financial Management (Autumn 1985), pp. 5-17.

9. John D. Finnerty, "Zero Coupon Bond Arbitrage: An Illustration of the Regulatory Dialectic at Work," Financial Management (Winter 1985), pp. 13-17.

10. John D. Finnerty, "Refunding Discounted Debt: A Clarifying Analysis," Journal of Financial and Quantitative Analysis (March 1986), pp. 95-106.

11. John D. Finnerty, "A Visit with Alice in Moneyland," Journal of Corporate Finance (Spring 1987), pp. 46-47.

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12. John D. Finnerty, "An Analytical Framework for Evaluating Securities Innovations," Journal of Corporate Finance (Winter 1987), pp. 3-18.

13. John D. Finnerty, "Capital Budgeting and CAPM: Choosing the Market Risk Premium," Journal of Corporate Finance (Winter 1988), pp. 11-14.

14. John D. Finnerty, "Financial Engineering in Corporate Finance: An Overview," Financial Management (Winter 1988), pp. 14-33. (Lead Article) Reprinted in Clifford W. Smith, Jr., and Charles W. Smithson, eds., The Handbook of Financial Engineering. Harper & Row, New York, 1990, ch. 3, and in Robert W. Kolb, ed., The Financial Derivatives Reader. Kolb, Miami, 1992, ch. 2.

15. John D. Finnerty, "New Issue Dividend Reinvestment Plans and the Cost of Equity Capital," Journal of Business Research (March 1989), pp. 127-139.

16. John D. Finnerty, "Measuring the Duration of a Floating-Rate Bond," Journal of Portfolio Management (Summer 1989), pp. 67-72. Reprinted in Sanjay K. Nawalkha and Donald R. Chambers, eds., Interest Rate Risk Measurement and Management. Institutional Investor Books, New York, 1999, ch. 32.

17. John D. Finnerty and Victor M. Borun, "An Analysis of Unbundled Stock Units," Global Finance Journal (Fall 1989), pp. 47-69.

18. John D. Finnerty and Michael Rose, "Arbitrage-Free Spread: A Consistent Measure of Relative Value," Journal of Portfolio Management (Spring 1991), pp. 65-77.

19. John D. Finnerty, "The Time Warner Rights Offerings: A Case Study in Financial Engineering," Journal of Financial Engineering (June 1992), pp. 38-61.

20. John D. Finnerty, "The Advance Refunding of Nonredeemable High-Coupon Corporate Debt Through In-Substance Defeasance," Journal of Financial Engineering (September 1992), pp. 150-173.

21. Douglas R. Emery and John D. Finnerty, "A Review of Recent Research Concerning Corporate Debt Provisions," Financial Markets, Institutions & Instruments (December 1992), pp. 23-39.

22. John D. Finnerty and Dean Leistikow, "College Tuition Prepayment Programs: Description, Investment Portfolio Composition, and Contract Pricing," Journal of the Midwest Finance Association (1992), pp. 165-174.

23. John D. Finnerty, "Comment: The Need to Enhance the Effectiveness of Discussants and Some Suggested Guidelines for Session Organizers and Discussants," Financial Practice and Education (Spring/Summer 1993), pp. 15-18.

24. John D. Finnerty and Dean Leistikow, "The Behavior of Equity and Debt Risk Premiums," Journal of Portfolio Management (Summer 1993), pp. 73-84.

25. John D. Finnerty, "Interpreting SIGNs," Financial Management (Summer 1993), pp. 34-47.

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26. John D. Finnerty, "Indexed Sinking Fund Debentures: Valuation and Analysis," Financial Management (Summer 1993), pp. 76-93.

27. John D. Finnerty and Robert J. Kunze, "Arranging Financing for Biotechnology Ventures," Financier (May 1994), pp. 20-34.

28. John D. Finnerty, "Valuing Corporate Equity When Value Additivity May Not Hold: The Case of the Newhouse Estate Valuation," Financial Practice and Education (Spring/Summer 1994), pp. 107-115.

29. John D. Finnerty and Dean Leistikow, "The Behavior of Equity and Debt Risk Premiums": Reply to Comment, Journal of Portfolio Management (Summer 1994), pp. 101-102.

30. John D. Finnerty, "Range Floaters: Pricing a Bet on the Future Course of Short-Term Interest Rates," Financier (November 1994), pp. 20-27. Reprinted in John D. Finnerty and Martin S. Fridson, eds., The Yearbook of Fixed Income Investing 1995. Irwin Professional Publishing, Chicago, 1996, ch. 8.

31. John D. Finnerty, "Some Suggested Guidelines for Reviewers," Financial Practice and Education (Fall/Winter 1994), pp. 22-24.

32. John D. Finnerty, Iftekhar Hasan, and Yusif Simaan, "Designing an Efficient Investment Strategy for Hedging the Future Cost of a College Education," Journal of Investing (Spring 1996), pp. 47-58.

33. John D. Finnerty, "Credit Derivatives, Infrastructure Finance, and Emerging Market Risk," Financier (February 1996), pp. 64-75.

34. John D. Finnerty, “Adjusting the Binomial Model for Default Risk,” Journal of Portfolio Management (Winter 1999), pp. 93-103.

35. John D. Finnerty, “The PricewaterhouseCoopers Credit Derivatives Primer: Total Return Swaps,” Financier (vol. 7, 2000), pp. 66-77.

36. John D. Finnerty, “Premium Debt Swaps, Tax-Timing Arbitrage, and Debt Service Parity,” Journal of Applied Finance (vol. 11, 2001), pp. 17-22.

37. John D. Finnerty and Mark S. Brown, “An Overview of Derivatives Litigation, 1994 to 2000,” Fordham Journal of Corporate & Financial Law (vol.7, 2001), pp. 131-158.

38. John D. Finnerty and Dwight Grant, “Alternative Approaches to Testing Hedge Effectiveness under SFAS No. 133,” Accounting Horizons (June 2002), pp. 95-108.

39. John D. Finnerty and Douglas R. Emery, “Corporate Securities Innovation: An Update,” Journal of Applied Finance (Spring/Summer 2002), pp. 21-47.

40. John D. Finnerty, “Adjusting the Comparable-Company Method for Tax Differences when Valuing Privately Held “S” Corporations and LLCs,” Journal of Applied Finance (Fall/Winter 2002), pp.15-30.

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